

**CITY OF MENOMINEE, MICHIGAN**

**Annual Financial Report**

**June 30, 2008**

# CITY OF MENOMINEE, MICHIGAN

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June 30, 2008

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## **INDEPENDENT AUDITORS' REPORT**



# KERBER, ROSE & ASSOCIATES, S.C.

**Certified Public Accountants**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Common Council  
City of Menominee  
Menominee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menominee, Michigan (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management discussion and analysis and budgetary comparison information on pages 3 through 8 and 52 through 55 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods or measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members of the Common Council  
City of Menominee

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 56 through 77 as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The remaining supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Kerber, Rose & Associates, S.C.*

**KERBER, ROSE & ASSOCIATES, S.C.**  
**Certified Public Accountants**  
November 26, 2008

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**CITY OF MENOMINEE, MICHIGAN**  
Management Discussion and Analysis  
June 30, 2008

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As management of the City of Menominee, we offer readers of the City's financial statements this overview of the financial activities of the City of Menominee for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Menominee exceeded the liabilities as of June 30, 2008 by \$51,546,615 (net assets). Of this amount, \$6,894,413 were unrestricted net assets. The net assets for government activities were \$30,256,374, and for business-type activities \$21,290,241.
- The total net assets increased by \$419,492 during the fiscal year.
- The general fund balance is \$852,402 with \$189,126 reserved and \$663,276 unreserved. Of the unreserved fund balance, \$170,288 is designated and \$492,988 is undesignated, or approximately 10 percent of the anticipated general fund expenditures for 2008-2009 fiscal year.
- General obligation debt decreased by \$741,412 during fiscal year 2008.
- Capital assets decreased by \$635,121 net of depreciation during the fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**1. Government-wide Financial Statements.**

The government-wide financial statements (pages 9-11) provide readers with a broad overview of the finances of the City of Menominee, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial position.

The statement of net assets shows the restricted net assets and unrestricted net assets. The unrestricted assets are the assets that can be spent under City government's discretion. The restricted assets are the assets that are constrained by external regulations on how they may be used, such as debt covenants, enabling legislation, or other legal requirements. These assets can not be spent under City's discretion. The City's total unrestricted net assets were \$6,894,413 at fiscal year end June 30, 2008, with \$3,908,821 in the governmental activities.

The largest portion of the net assets for the business-type activities is the investment in capital assets (i.e., land, buildings, machinery and equipment, and infrastructure); less any related debt used to purchase those assets that is still outstanding. The City uses these capital assets to provide services to citizens. These assets are not available for future spending.



**CITY OF MENOMINEE, MICHIGAN**  
Management Discussion and Analysis  
June 30, 2008

**CITY OF MENOMINEE NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS:</b>						
Current and Other Assets	\$ 6,408,035	\$ 5,997,781	\$ 4,732,031	\$ 3,461,293	\$ 11,140,066	\$ 9,459,074
Capital Assets	28,460,632	29,288,887	22,172,878	21,979,744	50,633,510	51,268,631
Total Assets	<u>34,868,667</u>	<u>35,286,668</u>	<u>26,904,909</u>	<u>25,441,037</u>	<u>61,773,576</u>	<u>60,727,705</u>
<b>LIABILITIES:</b>						
Long-Term Liabilities						
Outstanding	3,989,818	4,769,318	5,201,045	3,402,930	9,190,863	8,172,248
Current and Other Liabilities	622,475	618,057	413,623	810,277	1,036,098	1,428,334
Total Liabilities	<u>4,612,293</u>	<u>5,387,375</u>	<u>5,614,668</u>	<u>4,213,207</u>	<u>10,226,961</u>	<u>9,600,582</u>
<b>NET ASSETS:</b>						
Invested in Capital Assets Net of Related Debt	24,704,798	25,117,737	17,262,943	18,428,235	41,967,741	43,545,972
Restricted	2,838,985	2,646,173	1,041,766	1,021,324	3,880,751	3,667,497
Unrestricted	<u>2,712,591</u>	<u>2,135,383</u>	<u>2,985,532</u>	<u>1,778,271</u>	<u>5,698,123</u>	<u>3,913,654</u>
Total Net Assets	<u>\$ 30,256,374</u>	<u>\$ 28,899,293</u>	<u>\$ 21,290,241</u>	<u>\$ 21,227,830</u>	<u>\$ 51,546,615</u>	<u>\$ 51,127,123</u>

Assets exceed liabilities by \$51,546,615 at June 30, 2008.

Assets exceeded liabilities by \$51,127,123 at June 30, 2007.

**The Statement of Activities** presents information showing how the City's net assets changed during the fiscal year. All changes for net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the terms of related cash flows. The net assets increased by \$419,492.

In the statement of net assets and the statement of activities, the City is divided into two kinds of activities: governmental activities and business-type activities.

The governmental activities of the City of Menominee include police, fire, public works, parks, recreation, and general administration. Property taxes, state shared revenue, and state and federal grants finance most of the activities. Also, all the special revenue funds, debt service funds, capital project funds, and permanent funds are also included here.

The business-type activities include Water Treatment Utility, Wastewater Treatment Utility, Marina, River Park, and Industrial Aid. The City charges a fee to customers to help it cover the cost of certain services it provides.

**CITY OF MENOMINEE, MICHIGAN**  
Management Discussion and Analysis  
June 30, 2008

**STATEMENTS OF ACTIVITIES**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenues:						
Program Revenue	\$ 451,628	\$ 383,314	\$ 2,923,832	\$ 2,989,128	\$ 3,375,460	\$ 3,372,442
Operating Grants and Contributions	767,166	785,441	-	-	767,166	785,441
Capital Grants and Contributions	64,658	826,426	-	2,504	64,658	828,930
General Revenues:						
Property Taxes	3,930,167	3,808,490	-	-	3,930,167	3,808,490
State and Federal Aids Not Restricted to Specific Functions	1,309,870	1,199,430	-	-	1,309,870	1,199,430
Interest and Investment Earnings	274,119	290,259	174,819	122,499	448,938	412,758
Other	1,136,383	868,011	-	-	1,136,383	868,011
Total Revenues	<u>7,933,991</u>	<u>8,161,371</u>	<u>3,098,651</u>	<u>3,114,131</u>	<u>11,032,642</u>	<u>11,275,502</u>
Expenses:						
General Government	892,076	873,336	-	-	892,076	873,336
Public Safety	2,434,297	2,690,436	-	-	2,434,297	2,690,436
Public Works	2,509,516	2,404,987	-	-	2,509,516	2,404,987
Culture and Recreation	1,105,552	1,065,873	-	-	1,105,552	1,065,873
Other	450,881	405,388	-	-	450,881	405,388
Interest and Fiscal Charges	184,588	208,172	-	-	184,588	208,172
Water Treatment	-	-	1,074,468	1,004,094	1,074,468	1,004,094
Wastewater Treatment	-	-	1,250,712	1,176,145	1,250,712	1,176,145
Marina	-	-	579,808	586,735	579,808	586,735
River Park	-	-	131,252	120,374	131,252	120,374
Industrial Aid	-	-	-	-	-	-
Total Expenses	<u>7,576,910</u>	<u>7,648,191</u>	<u>3,036,240</u>	<u>2,887,348</u>	<u>10,613,150</u>	<u>10,535,539</u>
Change in Net Assets	<u>357,081</u>	<u>513,180</u>	<u>62,411</u>	<u>226,783</u>	<u>419,492</u>	<u>739,963</u>
Net Assets – July 1, as previously reported	29,938,624	29,727,769	21,227,830	21,001,047	51,166,454	50,728,816
Correction to Restate:						
Cash	(40,365)	-	-	-	(40,365)	-
Capital Assets	(365,427)	-	-	-	(365,427)	-
Receivables	-	(302,325)	-	-	-	(302,235)
Payables	366,461	-	-	-	366,461	-
Net Assets – Beginning of Year as Restated	<u>29,899,293</u>	<u>29,425,444</u>	<u>21,227,830</u>	<u>21,001,047</u>	<u>51,127,123</u>	<u>50,426,491</u>
Net Assets – End of Year	<u>\$ 30,256,374</u>	<u>\$ 29,938,624</u>	<u>\$ 21,290,241</u>	<u>\$ 21,227,830</u>	<u>\$ 51,546,615</u>	<u>\$ 51,166,454</u>

**2. Fund Financial Statements**

The fund financial statements (pages 12 – 25) provide detailed information about the most significant funds - not the City as a whole. The City has three kinds of funds: governmental, proprietary, and fiduciary funds.

**Governmental Funds.** Governmental funds financial statements focus on near-term inflows and outflow of spendable resources. Such information is useful in assessing the City's financial requirements. Unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of 2008 fiscal year. The unreserved funds are the funds that can be spent under management's discretion.

At fiscal year end June 30, 2008, the City's governmental funds reported a combined ending fund balance of \$5,708,835.

The general fund is the chief operating fund of the City. At the fiscal year end, its unreserved fund balance was \$663,276. Among the unreserved funds, \$170,288 was designated by management for future projects. A healthy, unrestricted fund balance is necessary for a sound and responsible financial management system. The City needs the unreserved funds to meet emergency needs, generate interest revenues through investments, and to maintain the City's bond rating. The principal use of the unreserved funds is to avoid short term borrowing due to cash flow shortages.

**Proprietary Funds.** Proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail. For the proprietary funds, unrestricted net assets of the Water Treatment Utility at the fiscal year end amounted to \$869,296, for the Wastewater Treatment Utility they amounted to \$1,485,742, for the Marina they amounted to \$309,936, for the River Park they amounted to \$294,313 and for the Industrial Aid they amounted to \$26,245.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Menominee's programs.

**CITY OF MENOMINEE, MICHIGAN**  
Management Discussion and Analysis  
June 30, 2008

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**General Fund Budgetary Highlights**

The City amended its budget during the fiscal year as shown in the following chart:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2007 - 2008 Actual</u>	<u>Variance</u>
General Fund:				
Revenues	\$ 4,891,906	\$ 4,961,467	\$ 5,492,151	\$ 530,684
Expenditure	4,682,547	5,145,230	5,093,084	52,146
Transfers In/Out	(287,585)	(318,486)	(319,021)	(199)
Difference	<u>\$ (78,253)</u>	<u>\$ (502,585)</u>	<u>\$ 80,046</u>	<u>\$ 582,631</u>
Major Streets:				
Revenues	\$ 711,430	\$ 711,430	\$ 740,285	\$ 28,855
Expenditures	2,327,542	2,327,542	585,343	1,742,199
Transfers In/Out	(1,616,112)	(1,616,112)	(98,861)	(1,714,973)
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,081</u>	<u>\$ 56,081</u>
Local Streets:				
Revenues	\$ 197,000	\$ 197,000	\$ 193,551	\$ (3,449)
Expenditures	972,300	972,300	285,919	686,381
Transfers In/Out	775,300	775,300	130,097	(645,203)
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,729</u>	<u>\$ 37,729</u>

**Capital Assets and Debt Administration**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$50,633,510, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

## **CITY OF MENOMINEE, MICHIGAN**

### **Management Discussion and Analysis**

June 30, 2008

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At June 30, 2008, the City of Menominee had total bonded debt outstanding of \$8,956,879. Of this amount, \$3,775,834 comprised debt backed by the full faith and credit of the government and \$5,181,045 represents bonds secured by specified revenue sources (i.e., revenue bonds).

The City maintains a BBB+ bond rating by Standard and Poors for both its general obligation debt and for the revenue bonds for the Wastewater Treatment Utility.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized value. The current debt limitation for the City of Menominee is \$16,453,836 which is significantly in excess of the City's outstanding general obligation debt of \$3,775,834.

#### **NEXT YEAR'S BUDGETS AND RATES**

State shared revenue contributes approximately 21% of the general fund revenues for the City of Menominee. For the 2008–2009 fiscal year, the City expects this revenue to remain about the same or to decrease slightly from the 2007-2008 revenue.

Over 60% of the City's general fund revenues are from general property tax levies. The tax rate has remained relatively unchanged the last few years. City management expects the current tax rate to remain relatively stable.

#### **Request for Information**

The financial report is designed to provide a general overview of the City of Menominee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report, or requests for additional financial information, should be addressed to Menominee City Clerk/Treasurer, 2511 Tenth Street, Menominee, Michigan 49858.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF MENOMINEE, MICHIGAN

## Statement of Net Assets

As of June 30, 2008

	Governmental Fund Types		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,774,556	\$ 2,876,318	\$ 4,650,874
Investments	233,877	-	233,877
Receivables - Net	1,401,397	674,054	2,075,451
Internal Balances	158,406	(101,088)	57,318
Inventories and Prepaid Items	183,632	120,120	303,752
Deferred Charges	55,319	120,861	176,180
Restricted Cash	549,675	1,041,766	1,591,441
Restricted Investments	2,051,173	-	2,051,173
Capital Assets, Net of Depreciation	28,460,632	22,172,878	50,633,510
<b>TOTAL ASSETS</b>	<b>34,868,667</b>	<b>26,904,909</b>	<b>61,773,576</b>
<b>LIABILITIES:</b>			
Accounts Payable	188,539	12,452	200,991
Accrued and Other Liabilities	288,004	84,624	372,628
Deferred Revenue	145,932	316,547	462,479
Noncurrent Liabilities:			
Due Within One Year	987,365	291,110	1,278,475
Due in More Than One Year	3,002,453	4,909,935	7,912,388
<b>TOTAL LIABILITIES</b>	<b>4,612,293</b>	<b>5,614,668</b>	<b>10,226,961</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	24,704,798	17,262,943	41,967,741
Restricted:			
Debt Service	185,445	536,183	721,628
Plant Replacement	-	505,583	505,583
Construction	1,511,538	-	1,511,538
Permanent Fund	1,142,002	-	1,142,002
Unrestricted	2,712,591	2,985,532	5,698,123
<b>TOTAL NET ASSETS</b>	<b>\$ 30,256,374</b>	<b>\$ 21,290,241</b>	<b>\$ 51,546,615</b>

See Accompanying Notes

**CITY OF MENOMINEE, MICHIGAN**  
Statement of Activities  
For the Year Ended June 30, 2008

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental Activities:				
General Government	\$ 892,076	\$ 2,500	\$ 24,785	\$ -
Public Safety	2,434,297	84,987	-	-
Public Works	2,509,516	261,219	742,381	-
Culture and Recreation	1,105,552	102,922	-	64,658
Other	450,881	-	-	-
Interest and Fiscal Charges	184,588	-	-	-
<b>Total Governmental Activities</b>	<b>7,576,910</b>	<b>451,628</b>	<b>767,166</b>	<b>64,658</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water Treatment	1,074,468	1,006,103	-	-
Wastewater Treatment	1,250,712	1,259,348	-	-
Marina	579,808	564,723	-	-
River Park	131,252	87,809	-	-
Industrial Aid	-	5,849	-	-
<b>Total Business-Type Activities</b>	<b>3,036,240</b>	<b>2,923,832</b>	<b>-</b>	<b>-</b>
<b>TOTAL ACTIVITIES</b>	<b>\$ 10,613,150</b>	<b>\$ 3,375,460</b>	<b>\$ 767,166</b>	<b>\$ 64,658</b>

**GENERAL REVENUES:**

Property Taxes, Levied for General Purposes  
Property Taxes, Levied for Debt Service  
Property Taxes, Levied for Streets  
State and Federal Aids Not Restricted to Specific Functions  
Interest and Investment Earnings  
Other

Total General Revenues

**CHANGE IN NET ASSETS**

**NET ASSETS - BEGINNING OF YEAR - RESTATED**

**NET ASSETS - END OF YEAR**

See Accompanying Notes



<b>Net (Expense) Revenue And Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (864,791)	\$ -	\$ (864,791)
(2,349,310)	-	(2,349,310)
(1,505,916)	-	(1,505,916)
(937,972)	-	(937,972)
(450,881)	-	(450,881)
(184,588)	-	(184,588)
<u>(6,293,458)</u>	<u>-</u>	<u>(6,293,458)</u>
-	(68,365)	(68,365)
-	8,636	8,636
-	(15,085)	(15,085)
-	(43,443)	(43,443)
-	5,849	5,849
<u>-</u>	<u>(112,408)</u>	<u>(112,408)</u>
<u>(6,293,458)</u>	<u>(112,408)</u>	<u>(6,405,866)</u>
3,165,899	-	3,165,899
97,000	-	97,000
667,268	-	667,268
1,309,870	-	1,309,870
274,119	174,819	448,938
<u>1,136,383</u>	<u>-</u>	<u>1,136,383</u>
<u>6,650,539</u>	<u>174,819</u>	<u>6,825,358</u>
357,081	62,411	419,492
<u>29,899,293</u>	<u>21,227,830</u>	<u>51,127,123</u>
<u>\$ 30,256,374</u>	<u>\$ 21,290,241</u>	<u>\$ 51,546,615</u>

See Accompanying Notes

**CITY OF MENOMINEE, MICHIGAN**

Balance Sheet  
Governmental Funds  
As of June 30, 2008

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	<b>General Fund</b>	<b>Major Street</b>	<b>Local Street</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 753,125	\$ 61,480	\$ 89,905
Investments	-	-	-
Receivables - Net	114,616	35,640	20,769
Due From Other Funds	321,047	396,827	119,196
Receivable From Other Governments	199,314	79,465	30,188
Inventories and Prepaid Items	182,532	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,570,634</b>	<b>\$ 573,412</b>	<b>\$ 260,058</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 83,212	\$ 99,040	\$ -
Accrued Payroll	58,821	1,455	437
Due to Other Funds	423,072	119,695	8,424
Payable to Other Governments	83,693	-	-
Deferred Revenue	69,434	35,640	20,769
<b>Total Liabilities</b>	<b>718,232</b>	<b>255,830</b>	<b>29,630</b>
<b>FUND BALANCES:</b>			
Reserved	189,126	-	-
Unreserved:			
Designated	170,288	-	-
Undesignated	492,988	317,582	230,428
<b>Total Fund Balances</b>	<b>852,402</b>	<b>317,582</b>	<b>230,428</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,570,634</b>	<b>\$ 573,412</b>	<b>\$ 260,058</b>

See Accompanying Notes

Other Governmental Funds		Total Governmental Funds	
\$	1,419,721	\$	2,324,231
	2,285,050		2,285,050
	862,571		1,033,596
	51,163		888,233
	58,834		367,801
	1,100		183,632
\$	4,678,439	\$	7,082,543
\$	6,288	\$	188,540
	9,431		70,144
	178,635		729,826
	70,888		154,581
	104,774		230,617
	370,016		1,373,708
	2,838,985		3,028,111
	-		170,288
	1,469,438		2,510,436
	4,308,423		5,708,835
\$	4,678,439	\$	7,082,543

See Accompanying Notes

# CITY OF MENOMINEE, MICHIGAN

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets As of June 30, 2008

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<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 5,708,835</b>
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***Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:***

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	41,783,936	
Governmental Accumulated Depreciation	<u>(13,323,304)</u>	28,460,632

Deferred revenue reported as a liability on the balance sheet is recognized as revenue on the statement of activities and has been removed from the statement of net assets.

Special Assessments		84,685
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Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Liabilities reported in the statement of net assets that are not reported in the funds balance sheet:

General Debt	(3,755,834)	
Accrued Interest on General Obligation Debt	(63,279)	
Bond Issuance Costs Amortized	55,319	
Vested Employee Benefits	<u>(233,984)</u>	<u>(3,997,778)</u>

<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 30,256,374</u></b>
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**CITY OF MENOMINEE, MICHIGAN**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2008

	<b>General Fund</b>	<b>Major Street</b>
<b>REVENUES:</b>		
Property Taxes	\$ 3,331,650	\$ 165,995
Federal Grants	21,509	-
State Grants	3,276	562,370
State Shared Revenue	1,151,452	-
Donations	-	-
Licenses and Permits	147,626	-
Fines and Forfeitures	26,077	-
Interest and Rentals	433,412	-
Charges For Services	2,500	-
Other Revenues	374,649	11,920
<b>TOTAL REVENUES</b>	<b>5,492,151</b>	<b>740,285</b>
<b>EXPENDITURES:</b>		
Current:		
General Government	818,356	-
Public Safety	2,351,099	-
Highways, Streets and Bridges	473,111	577,573
Sanitation	434,552	-
Culture and Recreation	358,595	-
Other	127,991	-
Capital Outlay	232,802	7,770
Debt Service:		
Principal Retirement	261,412	-
Interest and Fiscal Charges	35,166	-
<b>TOTAL EXPENDITURES</b>	<b>5,093,084</b>	<b>585,343</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>399,067</b>	<b>154,942</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating Transfers In	-	20,335
Operating Transfers (Out)	(319,021)	(119,196)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(319,021)</b>	<b>(98,861)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>80,045</b>	<b>56,081</b>
<b>FUND BALANCES - BEGINNING OF YEAR - RESTATED</b>	<b>772,357</b>	<b>261,501</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 852,402</b>	<b>\$ 317,582</b>

<b>Local Street</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 798,929	\$ 4,296,574
-	-	21,509
184,232	64,658	814,536
-	10,792	1,162,244
-	59,035	59,035
-	-	147,626
-	58,910	84,987
-	154,045	587,457
-	102,922	105,422
9,319	258,714	654,601
193,551	1,508,005	7,933,991
-	-	818,356
-	1,000	2,352,099
285,919	-	1,336,603
-	-	434,552
-	558,721	917,316
-	322,890	450,881
-	25,962	266,534
-	480,000	741,412
-	151,268	186,434
285,919	1,539,841	7,504,187
(92,368)	(31,837)	429,804
130,097	338,746	489,178
-	(50,961)	(489,178)
130,097	287,785	-
37,729	255,948	429,804
192,699	4,052,474	5,279,031
\$ 230,428	\$ 4,308,422	\$ 5,708,835

**CITY OF MENOMINEE, MICHIGAN**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 429,804

**Amounts reported for governmental activities in the statement of net assets  
are different because:**

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 266,534	
Depreciation expense reported in the statement of activities	(1,020,208)	
Amount by which capital outlays are less than depreciation in the current period.		(753,674)

The net effect of various miscellaneous transactions involving capital assets (i.e., trade-ins, and disposals) is to decrease net assets and has no effect on the governmental funds balance sheet. (74,581)

Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures. (25,814)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year 741,412

Vested employee benefits are reported in the governmental funds when amounts are paid.

The statement of activities reports the value of benefits earned during the year.

Special termination benefits paid in current year	242,834	
Special termination benefits earned in current year	204,746	
Amounts paid are more than amounts earned by		38,088

Unamortized bond issue costs and the deferred discount are reported as expenditures in the governmental funds. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities. (15,206)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities.

17,052

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES** \$ 357,081

# CITY OF MENOMINEE, MICHIGAN

## Statement of Net Assets

### Proprietary Funds

As of June 30, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 663,964	\$ 1,295,186	\$ 604,834
Receivables - Net	291,264	382,790	-
Due From Other Funds	-	22,655	-
Inventories	64,115	-	-
Prepaid Items	23,531	32,474	-
<b>Total Current Assets</b>	<u>1,042,874</u>	<u>1,733,105</u>	<u>604,834</u>
<b>Noncurrent Assets:</b>			
Restricted Cash and Investments	165,256	876,510	-
Unamortized Debt Discount and Expenses	26,021	67,303	27,537
Capital Assets, Net of Depreciation	9,018,287	10,586,236	1,517,919
<b>Total Noncurrent Assets</b>	<u>9,209,564</u>	<u>11,530,049</u>	<u>1,545,456</u>
<b>Total Assets</b>	<u>10,252,438</u>	<u>13,263,154</u>	<u>2,150,290</u>
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	6,259	4,797	-
Accrued Expense	20,812	51,049	11,119
Due to Other Funds	113,530	21,477	-
Deferred Revenue	18,135	47,096	251,316
Current Portion of Noncurrent Liabilities	40,863	190,247	60,000
<b>Total Current Liabilities</b>	<u>199,599</u>	<u>314,666</u>	<u>322,435</u>
<b>NONCURRENT LIABILITIES:</b>			
Bonds, Notes and Loans Payable	680,243	3,459,692	770,000
<b>Total Liabilities</b>	<u>879,842</u>	<u>3,774,358</u>	<u>1,092,435</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	8,338,044	7,126,544	747,919
Restricted For Debt Service	-	536,183	-
Restricted For Capital Projects	165,256	340,327	-
Unrestricted	869,296	1,485,742	309,936
<b>TOTAL NET ASSETS</b>	<u>\$ 9,372,596</u>	<u>\$ 9,488,796</u>	<u>\$ 1,057,855</u>

See Accompanying Notes



<b>River Park</b>	<b>Industrial Aid</b>	<b>Total Proprietary Funds</b>
\$ 312,334	\$ -	\$ 2,876,318
-	-	674,054
-	26,245	48,900
-	-	64,115
-	-	56,005
<u>312,334</u>	<u>26,245</u>	<u>3,719,392</u>
-	-	1,041,766
-	-	120,861
692,366	358,070	22,172,878
<u>692,366</u>	<u>358,070</u>	<u>23,335,505</u>
<u>1,004,700</u>	<u>384,315</u>	<u>27,054,897</u>
1,396	-	12,452
1,644	-	84,624
14,981	-	149,988
-	-	316,547
-	-	291,110
<u>18,021</u>	<u>-</u>	<u>854,721</u>
-	-	4,909,935
<u>18,021</u>	<u>-</u>	<u>5,764,656</u>
692,366	358,070	17,262,943
-	-	536,183
-	-	505,583
294,313	26,245	2,985,532
<u>\$ 986,679</u>	<u>\$ 384,315</u>	<u>\$ 21,290,241</u>

See Accompanying Notes

**CITY OF MENOMINEE, MICHIGAN**

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Year Ended June 30, 2008

	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Marina</b>
<b>OPERATING REVENUES:</b>			
Charges For Services	\$ 993,571	\$ 1,244,720	\$ 564,723
Hydrant Rental	2,933	-	-
Other Revenues	9,599	14,628	-
<b>Total Operating Revenues</b>	<u>1,006,103</u>	<u>1,259,348</u>	<u>564,723</u>
<b>OPERATING EXPENSES:</b>			
Personal Services	233,137	154,241	-
Contractual Services	274,600	393,846	403,837
Utilities	93,498	160,296	-
Repairs and Maintenance	44,675	24,988	-
Other Supplies and Expenses	29,414	37,770	887
Depreciation	346,138	335,367	134,344
<b>Total Operating Expenses</b>	<u>1,021,462</u>	<u>1,106,508</u>	<u>539,068</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(15,359)</u>	<u>152,840</u>	<u>25,655</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>			
Interest and Investment Revenue	51,375	91,781	21,527
Interest Expense	(53,006)	(144,204)	(40,740)
<b>Total Non-operating Revenue (Expenses)</b>	<u>(1,631)</u>	<u>(52,423)</u>	<u>(19,213)</u>
<b>CHANGE IN NET ASSETS</b>	(16,990)	100,417	6,442
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>9,389,586</u>	<u>9,388,379</u>	<u>1,051,413</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 9,372,596</u></u>	<u><u>\$ 9,488,796</u></u>	<u><u>\$ 1,057,855</u></u>

See Accompanying Notes

<b>River Park</b>	<b>Industrial Aid</b>	<b>Total Proprietary Funds</b>
\$ -	\$ -	\$ 2,803,014
-	-	2,933
87,809	5,849	117,885
87,809	5,849	2,923,832
50,292	-	437,670
6,403	-	1,078,686
26,216	-	280,010
4,660	-	74,323
10,885	-	78,956
32,796	-	848,645
131,252	-	2,798,290
(43,443)	5,849	125,542
10,136	-	174,819
-	-	(237,950)
10,136	-	(63,131)
(33,307)	5,849	62,411
1,019,986	378,466	21,227,830
\$ 986,679	\$ 384,315	\$ 21,290,241

See Accompanying Notes

**CITY OF MENOMINEE, MICHIGAN**

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2008

	<b>Water Utility</b>	<b>Wastewater Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts From Customers	\$ 1,050,255	\$ 1,290,300
Payments to Suppliers	(172,659)	(226,137)
Payments to Contractors	(274,600)	(393,846)
Payment to Employees	(227,803)	(144,599)
Internal Activity - Receipts (Payments) From (To) Other Funds	(175,200)	(173,985)
<b>Net Cash From Operating Activities</b>	<b>199,993</b>	<b>351,733</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of Capital Assets	(663,783)	(635,742)
Principal and Interest Paid on Capital Debt	562,865	1,019,150
Other Receipts (Payments)	1,000	(5,801)
<b>Net Cash From Capital and Related Financing Activities</b>	<b>(99,917)</b>	<b>377,608</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Income	51,375	91,781
<b>Net Cash From Investing Activities</b>	<b>51,375</b>	<b>91,781</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>151,450</b>	<b>821,121</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>677,770</b>	<b>1,350,575</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 829,220</b>	<b>\$ 2,171,696</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (15,359)	\$ 152,840
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Depreciation	346,138	335,367
Changes in Non-Cash Components of Working Capital:		
Accounts Receivable	44,152	30,952
Due From Other Funds	-	7,200
Inventories	(4,931)	-
Prepaid Items	(1,239)	(1,465)
Accounts Payable	1,098	(1,618)
Accrued Expenses	5,334	9,642
Due to Other Funds	(175,200)	(181,185)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 199,993</b>	<b>\$ 351,733</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
Unrestricted Cash and Investments	\$ 663,964	\$ 1,295,186
Restricted Cash and Investments	165,256	876,510
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 829,220</b>	<b>\$ 2,171,696</b>

See Accompanying Notes

<b>Marina</b>	<b>River Park</b>	<b>Industrial Aid</b>	<b>Total Proprietary Funds</b>
\$ 564,723	\$ 87,809	\$ 5,849	\$ 2,998,936
(887)	(49,291)	-	(448,974)
(403,837)	-	-	(1,072,283)
-	(49,680)	-	(422,082)
(1,000)	2,445	(4,889)	(352,629)
<u>158,999</u>	<u>(8,717)</u>	<u>960</u>	<u>702,968</u>
(106,722)	-	(960)	(1,407,207)
(100,740)	-	-	1,481,275
-	-	-	(4,801)
<u>(207,462)</u>	<u>-</u>	<u>(960)</u>	<u>69,267</u>
21,527	10,136	-	174,819
<u>21,527</u>	<u>10,136</u>	<u>-</u>	<u>174,819</u>
(26,936)	1,419	-	947,054
631,770	310,915	-	2,971,030
<u>\$ 604,834</u>	<u>\$ 312,334</u>	<u>\$ -</u>	<u>\$ 3,918,084</u>
\$ 25,655	\$ (43,443)	\$ 5,849	\$ 125,542
134,344	32,796	-	848,645
-	-	-	75,104
-	-	(4,889)	2,311
-	-	-	(4,931)
-	-	-	(2,704)
-	(1,127)	-	(1,647)
-	612	-	15,588
(1,000)	2,445	-	(354,940)
<u>\$ 158,999</u>	<u>\$ (8,717)</u>	<u>\$ 960</u>	<u>\$ 702,968</u>
\$ 604,834	\$ 312,334	\$ -	\$ 2,876,318
-	-	-	1,041,766
<u>\$ 604,834</u>	<u>\$ 312,334</u>	<u>\$ -</u>	<u>\$ 3,918,084</u>

See Accompanying Notes

**CITY OF MENOMINEE, MICHIGAN**

## Statement of Net Assets

## Fiduciary Funds

As of June 30, 2008

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	<b>Employee Trust Funds</b>	<b>Agency Funds</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 26,084	\$ 48,409	\$ 74,493
Investments at Fair Value:			
Corporate Stocks	3,260,137	-	3,260,137
Other Investments	5,765,544	-	5,765,544
Taxes Receivable	-	43,199	43,199
<b>Total Assets</b>	<u>\$ 9,051,765</u>	<u>\$ 91,608</u>	<u>\$ 9,143,373</u>
<b>LIABILITIES:</b>			
Due to Other Funds	\$ 8,834	\$ 48,483	\$ 57,317
Due to Other Governments	355	43,125	43,480
<b>Total Liabilities</b>	<u>9,189</u>	<u>91,608</u>	<u>100,797</u>
<b>NET ASSETS:</b>			
Held in Trust For Employees' Retirement System	9,039,683	-	9,039,683
Reserved For Employees' Benefits	2,893	-	2,893
<b>Total Net Assets</b>	<u>9,042,576</u>	<u>-</u>	<u>9,042,576</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,051,765</u>	<u>\$ 91,608</u>	<u>\$ 9,143,373</u>

See Accompanying Notes

**CITY OF MENOMINEE, MICHIGAN**

## Statement of Changes in Net Assets

## Fiduciary Funds

For the Year Ended June 30, 2008

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	<b>Employee Trust Funds</b>
<b>ADDITIONS:</b>	
Contributions:	
Employees	\$ 110,412
Employer	189,490
Interest and Dividends	279,127
Other	9,385
<b>Total Additions</b>	<b>588,414</b>
<b>DEDUCTIONS:</b>	
Net Depreciation in Fair Value of Investments	1,135,279
Annuities	603,043
Benefits	55,445
<b>Total Deductions</b>	<b>1,793,767</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,205,353)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>10,247,929</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,042,576</b>

## CITY OF MENOMINEE, MICHIGAN

### Notes to the Financial Statements

June 30, 2008

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

This summary of significant accounting policies of the City is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### **REPORTING ENTITY**

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, development services, public health and welfare, culture, recreation, water and wastewater.

The City's basic financial statements include the accounts of all City operations. In accordance with generally accepted accounting principles (GAAP), the financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the financial statements in accordance with standards established in GASB Statements No. 14 and 39.

#### **RELATED ORGANIZATIONS**

City officials are also responsible for appointing a majority of the board members for the Housing Authority of the City of Menominee, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, this organization is not included in the City's reporting entity.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, capital project, and debt service funds. Proprietary funds include enterprise funds and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



## CITY OF MENOMINEE, MICHIGAN

### Notes to the Financial Statements

June 30, 2008

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

##### **FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – Accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

Local Street Fund – Accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

The City reports the following major proprietary funds:

Water Utility Fund – Accounts for the City's provision of water service to city residents, business entities and public authorities.

Wastewater Treatment Utility Fund – Accounts for the City's provision of wastewater treatment service to city residents, business entities and public authorities.

Marina Fund – Accounts for the operation of the City's marina.

River Park Fund – Accounts for the City's municipal owned campground.

Industrial Aid Fund – Accounts for the City's unsold lots in the Industrial Park.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets. These assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government. For that reason, these funds are not incorporated into the government-wide statements.

## **CITY OF MENOMINEE, MICHIGAN**

### **Notes to the Financial Statements**

June 30, 2008

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

##### **FUND FINANCIAL STATEMENTS (Continued)**

The City reports the following trust funds:

Police and Fire Retirement Fund – Accounts for investments held for funding police and fire department employees' retirement benefits.

Employee Flexible Benefits Fund – Accounts for employee contributions and payouts for employees enrolled in the City's flexible benefits plan.

The City reports the following agency fund:

The Tax Collection Fund – Accounts for property tax collections and distributions.

##### **MEASUREMENT FOCUS AND BASIS ACCOUNTING**

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements although the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash transaction takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources, as well as all tax revenues, are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **CITY OF MENOMINEE, MICHIGAN**

### **Notes to the Financial Statements**

June 30, 2008

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

##### **MEASUREMENT FOCUS AND BASIS ACCOUNTING (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

##### **CASH AND INVESTMENTS**

Cash deposits consist of demand and time deposits with financial institutions carried at cost. Investments are stated at fair value.

For purposes of the statement of cash flows, cash and investments having a maturity of three months or less are considered to be cash equivalents.

##### *Investment Valuation and Income Recognition*

The plan's investments are valued at fair value using quoted market prices.

Net (depreciation) appreciation of investments included in the accompanying financial statements includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or losses on the sale of investments represents the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

##### **ACCOUNTS RECEIVABLE**

Accounts receivable are recorded net of allowances for doubtful accounts.

##### **INVENTORIES**

Inventories of governmental and proprietary fund types are recorded at cost, which approximates market, using the first-in first-out method of valuation. The cost is recorded as an expenditure at the time individual inventory items are consumed. A reserve for inventories has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

##### **PREPAID ITEMS**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

# CITY OF MENOMINEE, MICHIGAN

## Notes to the Financial Statements

June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

#### CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	
	Governmental Activities	Business-Type Activities
Buildings	40 Years	50 Years
Improvements Other Than Building	20 Years	15 – 50 Years
Equipment	15 Years	3 – 10 Years
Infrastructure	50 Years	-

#### DEFERRED REVENUE

The City reports deferred revenue on its statement of net assets and balance sheet. Deferred revenue arises in governmental funds when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed as a liability and revenue is recognized.

#### COMPENSATED ABSENCES

Under terms of employment, employees are granted sick leave and vacations in varying amounts, and are allowed to accrue unused sick leave and vacation time according to specific policies for different departments and unions. A liability for these accrued compensated absences is reported in the government-wide and proprietary funds financial statements. The liability is determined on the basis of current salary rates as of June 30, 2008, although payments for the accrued compensated absences will be made at rates in effect when the benefits are used.

#### LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **CITY OF MENOMINEE, MICHIGAN**

### **Notes to the Financial Statements**

June 30, 2008

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

##### **INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

##### **INTERFUND TRANSACTIONS**

During the course of normal operations, the City has various transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The governmental funds generally record such transactions as operating transfers if within governmental funds. Transactions between governmental and proprietary funds are usually recorded as revenues and either expenditures or expenses of the respective funds.

###### **Fund Financial Statements**

Interfund activity, if any, within and among the governmental categories is reported as follows in the fund financial statements:

- Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

###### **Government-Wide Financial Statements**

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities.

##### **EQUITY CLASSIFICATIONS**

###### **Government-Wide Statements**

Equity is classified as net assets and displayed in three components.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF MENOMINEE, MICHIGAN

## Notes to the Financial Statements

June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

#### EQUITY CLASSIFICATIONS (Continued)

##### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split between designated and undesignated.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates.

### NOTE 2 - CASH AND INVESTMENTS:

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:		
Cash	\$	4,650,873
Investments		233,877
Restricted Cash and Investments		3,642,614
Fiduciary Funds:		
Cash		74,493
Investments		9,025,681
Total Cash and Investments	\$	<u>17,627,538</u>

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has adopted a formal investment policy in accordance with Public Act 196 of 1997. The policy allows all deposits and investments authorized by the above statute, with the following additional restrictions:

- Commercial paper must be rated at the time of purchase within the highest classification established by not less than two standard rating services.
- Mutual Funds must be registered under the Investment Company Act of 1940 and maintain a \$1.00 per share net asset value.

In addition, the policy allows investment in stock, but only for Fund 732, the Police and Fire Retirement Fund, as set forth in Michigan Act 314, PA 1965, and MSA Section 3.98 (114). Donated stock may be held in any fund, in accordance with the wishes of the donor.

# CITY OF MENOMINEE, MICHIGAN

## Notes to the Financial Statements

June 30, 2008

### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

#### CUSTODIAL CREDIT RISK

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial risk for *investments* is the risk that, in the event of the failure of a counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The State statutes and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits or investments.

The City maintains its cash accounts at several financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per financial institution. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institutions minimizes such risk.

The following is a summary of cash deposits as of June 30, 2008:

Fully Insured Deposits	\$	1,491,703
Uncollateralized		<u>6,323,280</u>
Total	\$	<u><u>7,814,983</u></u>

Investments in the following investment types were held by the same counterparty that was used by the City to buy the securities:

Investment Type:		
Federal Agency Securities	\$	579,335
U.S. Treasury Notes		517,697
GNMA		2,089
Mutual Funds		3,117,017
Common Stocks		<u>5,815,326</u>
	\$	<u><u>10,031,464</u></u>

#### INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements

June 30, 2008

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):****INTEREST RATE RISK (Continued):**

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Investment Type:					
Federal Agency Securities	\$ 579,335	\$ 25,229	\$ 169,563	\$ 335,252	\$ 49,291
U.S. Treasury Notes	517,697	-	59,789	100,377	357,531
GNMA	2,089	-	-	464	1,625
	<u>\$ 1,099,121</u>	<u>\$ 25,229</u>	<u>\$ 229,352</u>	<u>\$ 436,093</u>	<u>\$ 408,447</u>

**INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS**

Certain investments are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. The City's investments in Federal Agency Securities (Federal Home Loan Bank and Federal National Mortgage Association) are backed by mortgages, which are subject to early payment in periods of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

**CREDIT RISK**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the City's investment policy and the actual rating as of year end for each investment type.

	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End AAA</u>
Investment Type:			
U.S. Treasury Notes	\$ 517,697	N/A	Exempt
GNMA	2,089	N/A	Exempt
Federal Agency Securities	579,335	AAA	AAA
	<u>\$ 1,099,121</u>		



# CITY OF MENOMINEE, MICHIGAN

## Notes to the Financial Statements

June 30, 2008

### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

#### CONCENTRATION OF CREDIT RISK

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer other than U.S. Treasury securities, mutual funds and money market funds.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

Issuer	Investment Type	Reported Amount
Cemetery Perpetual Care Fund:		
Federal Home Loan Bank	Federal Agency Securities	\$ 226,307
FNMA	Federal Agency Securities	235,092
Federal Farm Credit	Federal Agency Securities	68,691

#### NOTE 3 - PROPERTY TAXES:

Property tax is levied on each July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31.

Property taxes are recorded in the year levied as receivables and recognized as revenue. Real property taxes not collected by February 28 are turned over to the county for collection. The county pays the City for these delinquent taxes within 60 days. Delinquent personal property taxes are recorded as deferred revenue until collected or written off. In addition to property taxes for the City, taxes are collected and remitted to state and county governments as well as local school districts.

The 2007 taxable valuation of the City totaled \$159 million, on which ad valorem taxes levied consisted of 19.96 mills for the City operating purposes, .9907 mills for City street and road repair, and 3.57 mills for debt service, raising \$3.33 million for City operating purposes, \$165,995 for City street and road repair, and \$598,273 for debt service. These amounts are recognized in the respective General, Major Street and Debt Service Funds financial statements as taxes receivable-current and as tax revenue.

**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements

June 30, 2008

**NOTE 4 - RECEIVABLES:**

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water Utility</u>
Taxes	\$ 41,146	\$ -	\$ -	\$ -
Accounts	38,620	-	-	267,149
Special Assessments	28,286	35,640	20,769	39,385
Intergovernmental	199,314	79,465	30,188	-
Interest and Other	6,564	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	(15,270)
Net Receivables	<u>\$ 313,930</u>	<u>\$ 115,105</u>	<u>\$ 50,957</u>	<u>\$ 291,264</u>

	<u>Wastewater Utility</u>	<u>Aggregate Nonmajor Funds</u>	<u>Aggregate Fiduciary Funds</u>	<u>Total</u>
Taxes	\$ -	\$ -	\$ 43,199	\$ 84,345
Accounts	320,721	988,769	-	1,615,259
Special Assessments	70,220	-	-	194,300
Intergovernmental	-	58,834	-	367,801
Interest and Other	-	-	-	6,564
Less: Allowance for Doubtful Accounts	(8,151)	(126,197)	-	(149,618)
Net Receivables	<u>\$ 382,790</u>	<u>\$ 921,406</u>	<u>\$ 43,199</u>	<u>\$ 2,118,651</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessment	\$ 84,685	\$ -
MSHDA	-	86,339
Other	-	59,593
Total	<u>\$ 84,685</u>	<u>\$ 145,932</u>

# CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2008

## NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	Balance 7/1/2007 (As Restated)	Increases	Decreases	Balance 6/30/2008
<b>Governmental Activities:</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$ 1,935,709	\$ -	\$ 53,412	\$ 1,882,297
<b>Total Capital Assets not being Depreciated</b>	<u>1,935,709</u>	<u>-</u>	<u>53,412</u>	<u>1,882,297</u>
<b>Other Capital Assets:</b>				
Buildings and Improvements	6,684,004	25,962	-	6,709,966
Infrastructure	27,607,942	211,000	-	27,818,942
Machinery and Equipment	4,093,404	29,572	82,914	4,040,062
Library Materials	1,332,669	-	-	1,332,669
<b>Total Capital Assets being depreciated</b>	<u>39,718,019</u>	<u>266,534</u>	<u>82,914</u>	<u>39,901,639</u>
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements	2,757,064	210,510	-	2,967,574
Infrastructure	6,528,939	575,047	-	7,103,986
Machinery and Equipment	3,078,838	234,651	61,745	3,251,744
<b>Total Accumulated Depreciation</b>	<u>12,364,841</u>	<u>1,020,208</u>	<u>61,745</u>	<u>13,323,304</u>
<b>Total Capital Assets Being Depreciated, Net of Depreciation</b>	<u>27,353,178</u>	<u>(753,674)</u>	<u>(21,169)</u>	<u>26,578,335</u>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 29,288,887</u>	<u>\$ (753,674)</u>	<u>\$ (74,581)</u>	<u>\$ 28,460,632</u>

# CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2008

## NOTE 5 - CAPITAL ASSETS (Continued):

	Balance 7/1/07 (As Restated)	Increases	Decreases	Balance 6/30/08
<b>Business-Type Activities:</b>				
<b>Capital Assets not being</b>				
<b>Depreciated:</b>				
Land	\$ 448,399	\$ 3,549	\$ -	\$ 451,948
Construction in Progress	373,915	-	365,427	8,488
<b>Total Capital Assets not being</b>				
<b>Depreciated</b>	<u>822,314</u>	<u>3,549</u>	<u>365,427</u>	<u>460,436</u>
<b>Capital Assets being</b>				
<b>Depreciated:</b>				
Water	15,056,574	661,193	-	15,717,767
Wastewater	16,108,074	635,743	-	16,743,817
Marina	2,889,814	106,721	-	2,996,535
River park	1,134,455	-	-	1,134,455
Subtotal	<u>35,188,917</u>	<u>1,403,657</u>	<u>-</u>	<u>36,592,674</u>
<b>Less Accumulated Depreciation</b>	<u>14,031,487</u>	<u>848,645</u>	<u>-</u>	<u>14,880,132</u>
<b>Total Capital Assets, being</b>				
<b>Depreciated, Net of Depreciation</b>	<u>21,157,430</u>	<u>555,012</u>	<u>-</u>	<u>21,712,442</u>
<b>Business-Type Activities Capital</b>				
<b>Assets, Net of Accumulated</b>				
<b>Depreciation</b>	<u><u>\$ 21,979,744</u></u>	<u><u>\$ 558,561</u></u>	<u><u>\$ 365,427</u></u>	<u><u>\$ 22,172,878</u></u>

Depreciation expense was charged to functions of the City as follows:

<b>Governmental Activities:</b>	
General Government	\$ 47,906
Public Safety	99,118
Public Works	684,948
Culture and Recreation	188,236
<b>Total Depreciation Expense – Governmental Activities</b>	<u><u>\$ 1,020,208</u></u>
<b>Business-Type Activities:</b>	
Water Utility	\$ 346,138
Sewer Utility	335,367
Marina	134,344
River Park	32,796
<b>Total Depreciation Expense – Business-Type Activities</b>	<u><u>\$ 848,645</u></u>

**CITY OF MENOMINEE, MICHIGAN**

## Notes to the Financial Statements

June 30, 2008

**NOTE 6 - LONG-TERM DEBT:**

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2008:

	<u>Balance 7/1/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/08</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds and Notes					
Payable:					
Bonds	\$ 3,735,000	\$ -	\$ 480,000	\$ 3,255,000	\$ 505,000
Notes	762,246	-	261,412	500,834	273,535
Total	<u>4,497,246</u>	<u>-</u>	<u>741,412</u>	<u>3,755,834</u>	<u>778,535</u>
Other Liabilities:					
Vested Compensated					
Absences	<u>272,072</u>	<u>204,746</u>	<u>242,834</u>	<u>233,984</u>	<u>208,830</u>
Total Governmental					
Activities Long-Term					
Liabilities	<u>\$ 4,769,318</u>	<u>\$ 204,746</u>	<u>\$ 984,246</u>	<u>\$ 3,989,818</u>	<u>\$ 987,365</u>
<b>Business-Type Activities:</b>					
Bonds and Notes					
Payable:					
Bonds	\$ 3,187,000	\$ 2,015,000	\$ 166,000	\$ 5,036,000	\$ 238,000
Notes	<u>215,929</u>	<u>-</u>	<u>50,884</u>	<u>165,045</u>	<u>53,110</u>
Total Business-Type					
Activities Long-Term					
Liabilities	<u>\$ 3,402,929</u>	<u>\$ 2,015,000</u>	<u>\$ 216,884</u>	<u>\$ 5,201,045</u>	<u>\$ 291,110</u>

# CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2008

## NOTE 6 - LONG-TERM OBLIGATIONS (Continued):

Additional information on the above outstanding long-term obligations follows:

All general obligation debt is secured by the full faith and credit and unlimited taxing power of the City. General obligation debt at June 30, 2008 is comprised of the following individual issues:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 06/30/08
Governmental Activities					
Long-Term Obligations:					
2001 Bonds	03/01/01	03/01/12	3.40 – 4.30%	\$ 4,500,000	\$ 2,325,000
2003 Bonds	09/04/03	09/01/16	2.25 – 4.56%	965,000	725,000
2007 Bonds	06/15/07	06/15/18	6.34%	225,000	205,000
2001 Notes	09/16/01	09/15/09	5.29%	534,549	154,636
2002 Notes	08/30/02	08/30/08	4.15%	85,000	15,645
2006 Notes	02/28/05	09/15/08	3.50%	82,500	28,828
2006 Notes	07/15/05	07/15/09	3.60%	600,000	301,725
Sub-Total					3,755,834
Vested Compensated Absences					233,984
Total Governmental Activities Long-Term Obligations					<u>\$ 3,989,818</u>
Business Type Activities					
Long-Term Obligations:					
1992 Bonds	09/02/94	09/01/13	2.00%	1,520,000	\$ 440,000
1998 Bonds	09/23/98	09/01/17	4.50%	1,665,000	1,471,000
1998 Bonds	09/23/98	09/01/38	4.50%	300,000	280,000
1999 Bonds	05/01/99	05/01/16	4.20 – 5.00%	1,250,000	830,000
2007 Bonds	07/01/07	11/01/17	4.60 – 4.70%	2,015,000	2,015,000
2002 Notes	08/30/02	08/30/10	4.45%	400,000	165,045
Total Business Type Activities Long-Term Obligations					<u>\$ 5,201,045</u>

The above debt issues have been allocated to the City's enterprise fund and governmental funds based on the use of the proceeds. The annual principal and interest maturities are allocated as follows:

	General Long-Term Obligations		Enterprise Funds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 778,535	\$ 152,250	\$ 291,110	\$ 226,349	\$ 1,069,645	\$ 378,599
2010	752,299	119,869	299,473	215,262	1,051,772	335,131
2011	555,000	87,371	321,462	203,511	876,462	290,882
2012	585,000	62,827	268,000	191,094	853,000	253,921
2013	610,000	36,914	304,000	180,238	914,000	217,152
2014-2018	475,000	54,969	1,109,000	729,716	1,584,000	784,685
2019-2023	-	-	798,000	516,579	798,000	516,579
2024-2028	-	-	953,000	314,180	953,000	314,180
2029-2033	-	-	378,000	160,495	378,000	160,495
2034-2038	-	-	479,000	66,285	479,000	66,285
	<u>\$ 3,755,834</u>	<u>\$ 514,200</u>	<u>\$ 5,201,045</u>	<u>\$ 2,803,709</u>	<u>\$ 8,956,879</u>	<u>\$ 3,317,909</u>

Estimated payments of accumulated employee benefits are not included in the above schedule.

**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements

June 30, 2008

**NOTE 7- NET ASSETS/FUND BALANCES:****GOVERNMENT-WIDE STATEMENTS**

Net assets reported on the government-wide statement of net assets at June 30, 2008 include the following

Invested in Capital Assets, Net of Related Debt:	
Net Capital Assets	\$ 28,460,632
Less: Related Long-Term Debt Outstanding (Net of \$55,319 Bond Issuance Costs)	3,755,834
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 24,704,798</u>
Restricted:	
Debt Service	\$ 185,445
Construction	1,511,538
Permanent Fund	1,142,002
Total Restricted	<u>\$ 2,838,985</u>
Unrestricted	<u>\$ 2,712,591</u>
Total Net Assets – Government-Wide Statements	<u><u>\$ 30,256,374</u></u>

**FUND STATEMENTS**

Fund balances reported in the governmental funds balance sheet at June 30, 2008 are further classified as follows:

Reserved:

## General Fund:

Reserved for Inventory	\$ 91,151	
Reserved for Plant-A-Tree	6,593	
Reserved for Prepaid Expenditures	91,382	
Total General Fund		\$ 189,126

## Special Revenue Funds:

Reserved for Cemetery Trusts	100,502	
Reserved for Library	15,870	
Reserved for Housing Rehabilitation	25,169	
Total Special Revenue funds		141,541

## Debt Service Funds:

Reserved for Street Construction Debt	40,651	
Reserved for Library Debt	144,794	
Total Debt Service Funds		185,445

## Capital Projects Funds:

Spies Field Improvement Project	173,707	
Street Construction	1,196,290	
Total Capital Projects Funds		1,369,997

## Permanent Fund:

Cemetery Perpetual Care Fund		<u>1,142,002</u>
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Total Reserved Fund Balances	<u><u>\$ 3,028,111</u></u>
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**CITY OF MENOMINEE, MICHIGAN**

## Notes to the Financial Statements

June 30, 2008

**NOTE 7 - NET ASSETS/FUND BALANCES (Continued):**Unreserved/Designated:

## General Fund:

Parks-Boat Launches	\$	26,844
Circle Lane		31,118
Fuel Pump		17,478
Henes Park Pavilion		8,457
Alleys		10,000
Recreation		10,522
Bricks		3,791
DARE Program		3,415
Henes Park Project		7,534
Henes Park Garage		51,129
Total Unreserved/Designated	\$	<u>170,288</u>

## Unreserved/Undesignated:

General Fund	\$	492,988
Major Street Fund		317,582
Local Street Fund		230,428
Other Special Revenue Funds		1,469,438
Total Unreserved/Undesignated	\$	<u>2,510,436</u>

Total Governmental Funds' Fund Balance	\$	<u>5,708,835</u>
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**NOTE 8 - RETIREMENT COMMITMENTS:**

City employees are covered by either the Policemen and Firemen Retirement System (PFRS) or the Municipal Employees' Retirement System (MERS).

**Police and Firemen Retirement System (PFRS)**

Police and Firemen Retirement System (PFRS) is a single-employer defined benefit pension plan administered by the City. The plan is accounted for as a separate pension trust fund in the City's financial statements. The PFRS is authorized and operated under state law, Act 345 of the Public Acts of 1937, as amended.



**CITY OF MENOMINEE, MICHIGAN**

## Notes to the Financial Statements

June 30, 2008

**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

	<u><b>Eligibility</b></u>	<u><b>Amount</b></u>
Service Retirement:	Police: Any age with 20 or more years of service or age 60 regardless of service.	Straight life pension equals 2.75% of 3 year average final compensation (AFC) times years of service.
	Fire: Age 50 with 25 or more years of service or age 60 regardless of service	Straight life pension equals 3.0% of 3 year AFC times years of service - Lump sum payments for unused vacation are included in AFC for Firefighters.
Deferred Retirement:	10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
Death After Retirement Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
Non-Duty Death-In-Service Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.
Duty Death-In-Service Survivor's Pension:	Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
Non-Duty Disability:	Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of AFC times years of service. At age 55: Same as Service Retirement Pension.
Duty Disability:	Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of AFC. At age 55: Same as Service Retirement Pension with service credit from date of disability to Age 55.

**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements

June 30, 2008

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**NOTE 8 - RETIREMENT COMMITMENTS (Continued):****Member Contributions**

8.44% Police

5.0% Fire

Upon retirement, a fire member may withdraw their accumulated contributions with interest and receive correspondingly reduced lifetime benefit.

**City's Contributions**

4.73% Police

10.62% Fire

**Actuarial Accrued Liability**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2007. Significant actuarial assumptions used in determining the actuarial accrued liability included a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 5% per year compounded annually, attributable to inflation and c) additional salary increases of 5.2% to 9% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2007 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

**GASB 25 Information (As of 6/30/07)**

## Actuarial Accrued Liability:

To Retirees and Beneficiaries

\$ 5,618,270

To Present Active Members:

Member Contributions

716,764

Employer Financed Portion

4,437,406

Total Actuarial Accrued Liability

10,772,440

Actuarial Value of Assets

10,093,674

Unfunded Actuarial Accrued Liability

\$ 678,766

# CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2008

## NOTE 8 - RETIREMENT COMMITMENTS (Continued):

### GASB 27 Information

Contributions required and made – The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2007 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
1999	\$ 64,985	100%
2000	61,725	100%
2001	59,524	100%
2002	62,238	100%
2003	72,637	100%
2004	91,468	100%
2005	89,230	100%
2006	104,152	100%
2007	156,119	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2008 was \$189,490.

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(a-b) (Unfunded) Overfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(a-b/c) UAL as a Percent- age of Covered Payroll
06/30/99	\$ 8,166,375	\$ 6,808,181	\$ 1,358,194	120%	\$ 1,086,706	125%
06/30/00	8,681,934	7,153,496	1,528,438	121%	1,229,250	124%
06/30/01	9,092,177	7,581,435	1,510,742	120%	1,339,922	113%
06/30/02	9,347,631	7,737,906	1,609,725	121%	1,391,279	116%
06/30/03	9,438,016	8,263,479	1,174,537	114%	1,397,778	84%
06/30/04	9,556,866	8,904,193	652,673	107%	1,405,567	46%
06/30/05	9,640,612	9,492,545	148,067	102%	1,484,043	10%
06/30/06	9,818,842	9,868,418	(49,576)	99%	1,505,352	(3)%
06/30/07	10,093,674	10,772,440	(678,766)	94%	1,415,352	(5)%

Membership of the plan consists of the following at June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	30
Active Plan Members	28
Total	58

**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements  
For the Year Ended June 30, 2008

**NOTE 8 - RETIREMENT COMMITMENTS (Continued):****Michigan Municipal Employees Retirement System (MERS)**

The City contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Police and Fire employees, who are covered exclusively under the Police and Fire Retirement System, are eligible to participate in the MERS. Benefits vest after 6 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees with 30 years of credited service may retire at or after age 55 with full benefits. Early retirement before age 60 requires approval of the City Council. All full-time employees, except police and fire, have a benefit equal to 2.5 percent of average annual compensation for the last five years of employment multiplied by years of credited service with a maximum benefit of 80% of final average compensation.

**Actuarial Accrued Liability**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2007. Significant actuarial assumptions used in determining the actuarial accrued liability include a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and c) additional salary increases of 0.00% to 4.16% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2007 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

**GASB 25 Information (As Of 12/31/07)**

## Actuarial Accrued Liability:

Retirees and Beneficiaries Currently Receiving Benefits	\$ 2,873,835
Terminated Employees not yet Receiving Benefits	376,245
Current Employees:	
Accumulated Employee Contributions Including Allocated	
Investment Income	152,195
Employer Financed	4,786,465
Total Actuarial Accrued Liability	<u>8,188,740</u>

## Net Assets Available for Benefits at Actuarial Value

(Market Value is \$7,013,072)	<u>6,932,204</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 1,256,536</u>

Fiscal Year Beginning	09/01/09
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Annual Required Contribution (ARC)	\$ 242,328
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Amortization Factor Used – Underfunded Liabilities (30 Years)	0.055889
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\*Based on valuation payroll, but the actual required contribution will be based on current monthly payroll times the computed employer contribution rate.

# CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2008

## NOTE 8 - RETIREMENT COMMITMENTS (Continued):

### GASB 27 Information

The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
2001	\$ 20,231	100%
2002	8,868	100%
2003	52,399	100%
2004	105,758	100%
2005	224,184	100%
2006	210,696	100%
2007	242,328	100%

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a/c) UAL as a Percent- age of Covered Payroll
2001	\$ 5,884,383	\$ 5,921,115	\$ 36,732	99%	\$ 1,845,391	2%
2002	5,727,331	6,126,064	398,733	93%	1,887,625	21%
2003	5,842,880	6,484,027	641,147	90%	2,018,837	32%
2004	5,982,657	6,744,604	761,947	89%	2,031,211	38%
2005	6,155,941	7,540,189	1,384,248	82%	2,097,619	66%
2006	6,491,001	7,556,008	1,065,007	86%	2,126,114	50%
2007	6,932,204	8,188,740	1,256,536	85%	2,169,979	58%

Membership of the plan consists of the following at December 31, 2007:

Active Member	48
Vested Former Members	12
Retirees and Beneficiaries	42
Total	102

## **CITY OF MENOMINEE, MICHIGAN**

### **Notes to the Financial Statements**

June 30, 2008

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#### **NOTE 9 - TAX INCREMENTAL DISTRICT FUND:**

The City has established a separate special revenue fund for a Tax Incremental District (TID) created by the City in accordance with the Brownfield Redevelopment Financing Act, Act 381 of the Public Acts of the State of Michigan Statutes of 1996. At the time the TID was created, the property tax base within the TID was "frozen" and increment taxes resulting from increases to the property tax base will be used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The City's TID was created on December 20, 2005, and therefore is still eligible to incur project costs.

Since creation of the above TID, the City has provided various financing sources to the TID. Detail of the amounts recoverable by the City as of June 30, 2008 from future excess tax increment revenues is \$298,566.

The intent of the City is to recover the above amount from future TID surplus funds, if any, prior to termination of the TID.

#### **NOTE 10 - CONTINGENT LIABILITIES:**

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

# CITY OF MENOMINEE, MICHIGAN

## Notes to the Financial Statements

June 30, 2008

### NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Due To/From Other Funds:			
General Fund	Local Street	\$ 8,424	Year End Cash Flow Timing
	Cemetery Operations	36,379	Year End Cash Flow Timing
	Brownfield TID	27,133	Year End Cash Flow Timing
	Economic Development-GL P&F	500	Year End Cash Flow Timing
	Downtown Development Authority	71	Year End Cash Flow Timing
	Spies Public Library	31,931	Year End Cash Flow Timing
	Community Development		Year End Cash Flow Timing
	MSHDA	5,928	
	Spies Field Construction Debt	1,611	Year End Cash Flow Timing
	Spies Field Construction	24,419	Year End Cash Flow Timing
	River Park	14,981	Year End Cash Flow Timing
	Wastewater	21,477	Year End Cash Flow Timing
	Water	90,876	Year End Cash Flow Timing
	Tax Collection	48,483	Year End Cash Flow Timing
	Employee Flexible Benefit	7,590	Benefits Due to Employees
	Police & Fire Retirement	1,244	Benefits Due to Employees
Major Street	General Fund	396,827	Year End Cash Flow Timing
Local Street	Major Street	119,196	Year End Cash Flow Timing
Cemetery Perpetual Care	Cemetery Operations	825	Year End Cash Flow Timing
Cemetery Operations	Cemetery Perpetual Care	49,839	Year End Cash Flow Timing
Street Construction Debt Reduction	Major Street	499	Year End Cash Flow Timing
Wastewater	Water	22,655	Year End Cash Flow Timing
Industrial Aid	General Fund	26,245	Year End Cash Flow Timing
		<u>\$ 937,133</u>	

**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements

June 30, 2008

**NOTE 12 - INTERFUND TRANSFERS:**

<b>Fund Transferred To</b>	<b>Fund Transferred From</b>	<b>Amount</b>	<b>Purpose</b>
Major Street	General Fund	\$ 20,335	Transfer for Operational Expense
Local Street	General Fund	10,901	Transfer for Operational Expense
	Major Street	119,196	Transfer for Operational Expense
Cemetery Operations	General Fund	117,954	Transfer for Operational Expense
	Cemetery Perpetual Care	50,961	Transfer for Operational Expense
Spies Public Library	General Fund	169,831	Transfer for Operational Expense
		<u>\$ 489,178</u>	

**NOTE 13 - RESTATEMENT OF BEGINNING OF YEAR NET ASSETS AND FUND BALANCE:**

The following adjustments were made to the beginning fund balance and net assets due to overstated cash, capital assets, accounts payable and payables to other funds as a result of treating the Public Improvement Project Fund a June 30, 2007 as a governmental fund instead of a component of the utility funds:

**Governmental Fund:****Public Improvement Projects Fund Balance:**

June 30, 2007 (as Previously Reported)	\$ (326,096)
Overstatement of Fund Balance – Overstatement of Cash	(40,365)
Understatement of Fund Balance – Overstatement of Account Payable	365,427
Understatement of Fund Balance – Overstatement of Payables to Other Funds	<u>1,034</u>
As Restated June 30, 2007	<u>\$ -</u>

**Governmental Activities:****Net Assets:**

June 30, 2007 (as Previously Reported)	\$ 29,938,624
Overstatement of Net Assets – Overstatement of Capital Assets	(365,424)
Overstatement of Net Assets – Overstatement of Cash	(40,365)
Overstatement of Net Assets – Overstatement of Accounts Payable	365,427
Overstatement of Net Assets – Overstatement of Payables to Others Funds	<u>1,034</u>
As Restated June 30, 2007	<u>\$ 29,899,293</u>



**CITY OF MENOMINEE, MICHIGAN**

Notes to the Financial Statements

June 30, 2008

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**NOTE 13 - RESTATEMENT OF BEGINNING OF YEAR NET ASSETS AND FUND BALANCE (Continued):**

For the year ended June 30, 2007, the change in net assets were overstated by \$39,331 and change in fund balance was understated by \$326,096.

The Water Utility and Wastewater Utility funds were both affected by this restatement. There was an increase to cash, capital assets and accounts payable. The net effect of the restatement to the proprietary funds had no effect on the net assets of those funds.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Property Taxes	\$ 3,263,059	\$ 3,263,059	\$ 3,331,650	\$ 68,591
Federal Grants	-	13,149	21,509	8,360
State Grants	5,000	5,000	3,276	(1,724)
State Shared Revenue	1,182,397	1,213,634	1,151,452	(62,182)
Licenses and Permits	133,680	133,680	147,626	13,946
Fines and Forfeitures	27,800	27,800	26,077	(1,723)
Interest and Rentals	74,620	74,620	433,412	358,792
Charges for Services	4,000	4,000	2,500	(1,500)
Other Revenues	201,350	226,525	374,649	148,124
<b>Total Revenues</b>	<u>4,891,906</u>	<u>4,961,467</u>	<u>5,492,151</u>	<u>530,684</u>
<b>EXPENDITURES:</b>				
<b>General Government</b>				
City Council	13,737	13,737	11,242	2,495
Judicial - Other Labor	2,000	2,000	1,131	869
City Mayor	2,054	2,054	1,796	258
City Manager	157,792	157,792	158,415	(623)
Elections	12,063	12,063	9,738	2,325
Assessor	66,448	67,198	67,530	(332)
City Attorney	118,127	118,127	116,897	1,230
Clerk/Treasurer	295,358	295,358	274,649	20,709
Board of Review	1,943	2,243	2,157	86
Building and Grounds	161,002	161,002	174,800	(13,798)
<b>Total General Government</b>	<u>830,524</u>	<u>831,574</u>	<u>818,356</u>	<u>13,218</u>
<b>Public Safety</b>				
Police Department	1,109,228	1,154,377	1,163,914	(9,537)
Fire Department	916,159	1,009,159	1,020,380	(11,221)
Building Inspector	108,757	111,257	111,434	(177)
Zoning Board of Appeals	1,550	1,550	433	1,117
Animal Control - Animal Care	62,633	62,633	54,938	7,695
<b>Total Public Safety</b>	<u>2,198,327</u>	<u>2,338,976</u>	<u>2,351,099</u>	<u>(12,123)</u>
<b>Highways, Street and Bridges</b>				
City Engineer	71,309	104,309	109,911	(5,602)
Street Lighting	120,511	120,511	109,030	11,481
Alleys	13,253	13,253	12,050	1,203
Street Department	-	-	235,861	(235,861)
Sidewalks	3,457	3,457	6,259	(2,802)
<b>Total Highways, Streets and Bridges</b>	<u>208,530</u>	<u>241,530</u>	<u>473,111</u>	<u>(231,581)</u>
<b>Sanitation</b>				
Waste Collection	111,800	131,800	131,674	126
Rubbish Collection	58,362	65,362	65,958	(596)
Landfill	189,800	211,300	205,195	6,105
Recycling	25,027	31,527	31,725	(198)
<b>Total Sanitation</b>	<u>384,989</u>	<u>439,989</u>	<u>434,552</u>	<u>5,437</u>
<b>Culture and Recreation</b>				
Parks Department	141,556	141,556	107,644	33,912
Marina	-	1,300	1,270	30
Henes Park	107,237	107,237	104,232	3,005
Spies Field	79,280	79,280	57,094	22,186
City Recreation	108,611	108,611	88,355	20,256
<b>Total Culture and Recreation</b>	<u>436,684</u>	<u>437,984</u>	<u>358,595</u>	<u>79,389</u>
<b>Other Functions</b>				
Community Development	8,100	8,100	300	7,800
Economic Development	20,900	20,900	15,859	5,041
Fixed Expenses	59,600	115,975	111,832	4,143
<b>Total Other Functions</b>	<u>88,600</u>	<u>144,975</u>	<u>127,991</u>	<u>16,984</u>
<b>Capital Outlay</b>	<u>238,325</u>	<u>413,607</u>	<u>232,802</u>	<u>180,805</u>
<b>Debt Service</b>	<u>296,595</u>	<u>296,595</u>	<u>296,578</u>	<u>17</u>
<b>Total Expenditures</b>	<u>4,682,574</u>	<u>5,145,230</u>	<u>5,093,084</u>	<u>52,146</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>209,332</u>	<u>(183,763)</u>	<u>399,067</u>	<u>582,830</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers Out	(287,585)	(318,822)	(319,021)	(199)
<b>NET CHANGE IN FUND BALANCE</b>	<u>(78,253)</u>	<u>(502,585)</u>	<u>80,046</u>	<u>582,631</u>
<b>FUND BALANCE - BEGINNING</b>	<u>772,357</u>	<u>772,357</u>	<u>772,357</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 694,104</u>	<u>\$ 269,772</u>	<u>\$ 852,403</u>	<u>\$ 582,631</u>

**CITY OF MENOMINEE, MICHIGAN**

Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual  
Major Streets Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES:</b>				
Property Taxes	\$ 166,080	\$ 166,080	\$ 165,995	\$ (85)
State Grants and Shared Revenue	533,350	533,350	562,370	29,020
Other Revenues	12,000	12,000	11,920	(80)
<b>Total Revenues</b>	<u>711,430</u>	<u>711,430</u>	<u>740,285</u>	<u>28,855</u>
<b>EXPENDITURES:</b>				
Highways, Street and Bridges	508,350	508,350	577,573	(69,223)
Capital Outlay	1,819,192	1,819,192	7,770	1,811,422
<b>Total Expenditures</b>	<u>2,327,542</u>	<u>2,327,542</u>	<u>585,343</u>	<u>1,742,199</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,616,112)</u>	<u>(1,616,112)</u>	<u>154,942</u>	<u>1,771,054</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	1,680,000	1,680,000	20,335	(1,659,665)
Operating Transfers Out	(63,888)	(63,888)	(119,196)	(55,308)
<b>Total Other Financing Sources (Uses)</b>	<u>1,616,112</u>	<u>1,616,112</u>	<u>(98,861)</u>	<u>(1,714,973)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	56,081	56,081
<b>FUND BALANCE - BEGINNING</b>	<u>261,501</u>	<u>261,501</u>	<u>261,501</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 261,501</u>	<u>\$ 261,501</u>	<u>\$ 317,582</u>	<u>\$ 56,081</u>

**CITY OF MENOMINEE, MICHIGAN**

Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual  
 Local Streets Fund  
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State Grants and Shared Revenue	\$ 190,000	\$ 190,000	\$ 184,232	\$ (5,768)
Other Revenues	7,000	7,000	9,319	2,319
<b>Total Revenues</b>	<u>197,000</u>	<u>197,000</u>	<u>193,551</u>	<u>(3,449)</u>
<b>EXPENDITURES:</b>				
Highways, Street and Bridges	293,200	293,200	285,919	7,281
Capital Outlay	679,100	679,100	-	679,100
<b>Total Expenditures</b>	<u>972,300</u>	<u>972,300</u>	<u>285,919</u>	<u>686,381</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(775,300)</u>	<u>(775,300)</u>	<u>(92,368)</u>	<u>682,932</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating Transfers In	<u>775,300</u>	<u>775,300</u>	<u>130,097</u>	<u>(645,203)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>37,729</u>	<u>37,729</u>
<b>FUND BALANCE - BEGINNING</b>	<u>192,699</u>	<u>192,699</u>	<u>192,699</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 192,699</u>	<u>\$ 192,699</u>	<u>\$ 230,428</u>	<u>\$ 37,729</u>

**CITY OF MENOMINEE, MICHIGAN**  
Notes to the Budgetary Comparison Schedule  
For the Year Ended June 30, 2008

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**BUDGETS AND BUDGETARY ACCOUNTING:**

The City follows these procedures in establishing the budgetary data reflected in the budgetary schedule:

- Prior to the first Monday of March, every department submits to the city manager an itemized estimate of its expected income and expenditures during the next fiscal year for the department or activities under its control. The city manager then prepares a proposed budget. A public hearing is then held regarding the proposed budget.
- Not later than sixty days prior to July 1, a recommended budget within the tax limit and other revenue sources of the City is presented to the city council. The annual appropriations bill must then be passed no later than thirty days prior to July 1.
- The city manager may transfer budget amounts between departments within any fund and shall report such transfers to the council in writing in a timely manner. However, any revisions that alter the total expenditures of any fund must be approved by the city council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Proprietary Funds.

**BASIS OF ACCOUNTING:**

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

**EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:**

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2008:

<u>Individual Fund</u>	<u>Excess Expenditures</u>
<b>General Fund</b>	
Public Safety	\$ 12,123
Highway, Streets and Bridges	231,581

## **SUPPLEMENTARY INFORMATION**

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>TAXES:</b>				
<b>Assessed Value:</b>				
Real Property	\$ 2,687,983	\$ 2,687,983	\$ 2,700,821	\$ 12,838
Personal Property	456,326	456,326	476,860	20,534
<b>Total Assessed Value</b>	<u>3,144,309</u>	<u>3,144,309</u>	<u>3,177,681</u>	<u>33,372</u>
<b>Taxes Other Than Assessed Value:</b>				
In Lieu of Taxes-Housing	11,000	11,000	10,864	(136)
Mobile Home	750	750	960	210
<b>Total Taxes Other Than Assessed Value</b>	<u>11,750</u>	<u>11,750</u>	<u>11,824</u>	<u>74</u>
<b>Tax Administration Fee</b>	81,000	81,000	88,182	7,182
<b>Penalties and Interest on Taxes</b>	26,000	26,000	53,963	27,963
<b>Total Taxes</b>	<u>3,263,059</u>	<u>3,263,059</u>	<u>3,331,650</u>	<u>68,591</u>
<b>LICENSES AND PERMITS:</b>				
<b>Business Licenses and Permits:</b>				
CATV Franchises and Fees	95,000	95,000	101,810	6,810
Taxi Licenses	100	100	-	(100)
Vendor Permits	250	250	250	-
<b>Total Business Licenses and Permits</b>	<u>95,350</u>	<u>95,350</u>	<u>102,060</u>	<u>6,710</u>
<b>Nonbusiness Licenses and Permits:</b>				
Building	19,800	19,800	38,554	18,754
Occupancy	2,750	2,750	3,220	470
Rental Housing Inspections	15,000	15,000	2,980	(12,020)
Dog and Cat	50	50	32	(18)
Zoning	730	730	780	50
<b>Total Nonbusiness Licenses and Permits</b>	<u>38,330</u>	<u>38,330</u>	<u>45,566</u>	<u>7,236</u>
<b>Total Licenses and Permits</b>	<u>133,680</u>	<u>133,680</u>	<u>147,626</u>	<u>13,946</u>
<b>INTERGOVERNMENTAL REVENUES:</b>				
<b>Federal Grants</b>	-	13,149	21,509	8,360
<b>State Grants:</b>				
Michigan Justice Training	5,000	5,000	3,276	(1,724)
<b>State Shared Revenue:</b>				
Income Sales and Use Tax	1,174,848	1,174,848	1,112,315	(62,533)
Liquor License	7,549	7,549	7,900	351
Maintenance Fee	-	31,237	31,237	-
<b>Total State Shared Revenue</b>	<u>1,182,397</u>	<u>1,213,634</u>	<u>1,151,452</u>	<u>(62,182)</u>
<b>Total Intergovernmental Revenues</b>	<u>1,187,397</u>	<u>1,231,783</u>	<u>1,176,237</u>	<u>(55,546)</u>
<b>CHARGES FOR SERVICE - Fire Runs and Protection</b>	4,000	4,000	2,500	(1,500)
<b>FINES AND FORFEITS:</b>				
Parking Violations	3,000	3,000	2,760	(240)
District Court	24,800	24,800	23,317	(1,483)
<b>Total Fines and Forfeits</b>	<u>27,800</u>	<u>27,800</u>	<u>26,077</u>	<u>(1,723)</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>INTEREST AND RENTALS</b>				
Interest on Investments	\$ 50,000	\$ 50,000	\$ 64,350	\$ 14,350
Interest on Special Assessments	-	-	1,292	1,292
Rent-Real Estate	24,620	24,620	30,506	5,886
Rent-Equipment	-	-	337,264	337,264
<b>Total Interest and Rentals</b>	<u>74,620</u>	<u>74,620</u>	<u>433,412</u>	<u>358,792</u>
<b>OTHER REVENUES:</b>				
Sale of Assets	41,000	41,000	110,874	69,874
Special Assessments	8,500	8,500	10,341	1,841
Boat Launch Fees	7,100	7,100	6,108	(992)
Copier Charges	3,500	3,500	2,876	(624)
Rubbish Bins	4,000	4,000	-	(4,000)
Recycling	5,000	5,000	11,700	6,700
Refunds/Rebates	30,000	30,000	96,230	66,230
Other	1,200	1,200	13,879	12,679
Reimbursements-Utility	69,700	69,700	68,672	(1,028)
Donations	5,500	30,675	31,549	874
Gas/Diesel Sales	4,500	4,500	4,537	37
Recreation	21,350	21,350	17,883	(3,467)
<b>Total Other Revenues</b>	<u>201,350</u>	<u>226,525</u>	<u>374,649</u>	<u>148,124</u>
<b>TOTAL REVENUES</b>	<u>\$ 4,891,906</u>	<u>\$ 4,961,467</u>	<u>\$ 5,492,151</u>	<u>\$ 530,684</u>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT:</b>				
<b>City Council:</b>				
Salaries	\$ 8,000	\$ 8,000	\$ 8,001	\$ (1)
Fringe Benefits	737	737	629	108
Office Supplies			102	(102)
Publications	4,000	4,000	1,807	2,193
Travel	1,000	1,000	703	297
<b>Total City Council</b>	<u>13,737</u>	<u>13,737</u>	<u>11,242</u>	<u>2,495</u>
<b>Judicial - Other Labor</b>	<u>2,000</u>	<u>2,000</u>	<u>1,131</u>	<u>869</u>
<b>City Mayor:</b>				
Salaries	1,250	1,250	1,250	-
Fringe Benefits	104	104	99	5
Travel	700	700	447	253
<b>Total City Mayor</b>	<u>2,054</u>	<u>2,054</u>	<u>1,796</u>	<u>258</u>
<b>City Manager:</b>				
Salaries	101,845	101,845	102,287	(442)
Fringe Benefits	49,467	49,467	49,364	103
Longevity	780	780	805	(25)
Office Supplies	400	400	238	162
Publications	400	400	588	(188)
Auto Allowance	2,900	2,900	2,350	550
Travel	2,000	2,000	2,783	(783)
<b>Total City Manager</b>	<u>157,792</u>	<u>157,792</u>	<u>158,415</u>	<u>(623)</u>
<b>Elections:</b>				
Salaries	8,694	8,694	5,388	3,306
Fringe Benefits	39	39	-	39
Office Supplies	3,330	3,330	4,350	(1,020)
<b>Total Elections</b>	<u>12,063</u>	<u>12,063</u>	<u>9,738</u>	<u>2,325</u>
<b>Assessor:</b>				
Salaries	49,041	49,791	49,237	554
Fringe Benefits	12,560	12,560	12,611	(51)
Longevity	597	597	595	2
Office Supplies	3,000	3,000	3,606	(606)
Travel	1,250	1,250	1,481	(231)
<b>Total Assessor</b>	<u>66,448</u>	<u>67,198</u>	<u>67,530</u>	<u>(332)</u>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>GENERAL GOVERNMENT (CONTINUED):</b>				
<b>City Attorney:</b>				
Salaries	\$ 67,688	\$ 67,688	\$ 65,642	\$ 2,046
Fringe Benefits	32,671	32,671	32,525	146
Longevity	368	368	368	-
Office Supplies	600	600	913	(313)
Publications	6,500	6,500	6,838	(338)
Contract Services	9,000	9,000	9,411	(411)
Auto Allowance	300	300	-	300
Travel	1,000	1,000	1,200	(200)
<b>Total City Attorney</b>	<b>118,127</b>	<b>118,127</b>	<b>116,897</b>	<b>1,230</b>
<b>Clerk/Treasurer:</b>				
Salaries	161,762	161,762	158,653	3,109
Fringe Benefits	75,158	75,158	64,781	10,377
Longevity	1,638	1,638	1,383	255
Office Supplies	17,500	17,500	13,498	4,002
Postage	17,000	17,000	15,129	1,871
Equipment Maintenance	7,000	7,000	9,750	(2,750)
Audit	13,000	13,000	10,450	2,550
Auto Allowance	500	500	408	92
Travel	1,800	1,800	597	1,203
<b>Total Clerk/Treasurer</b>	<b>295,358</b>	<b>295,358</b>	<b>274,649</b>	<b>20,709</b>
<b>Board of Review:</b>				
Salaries	1,200	1,500	1,725	(225)
Fringe Benefits	93	93	132	(39)
Office Supplies	250	250	127	123
Publications	400	400	173	227
<b>Total Board of Review</b>	<b>1,943</b>	<b>2,243</b>	<b>2,157</b>	<b>86</b>
<b>Building and Grounds:</b>				
Salaries	13,389	13,389	13,154	235
Fringe Benefits	8,528	8,528	8,138	390
Longevity	805	805	671	134
Operating and Building Supplies	25,800	25,800	32,461	(6,661)
Equipment Maintenance	10,000	10,000	50	9,950
Telephone	29,000	29,000	25,711	3,289
Utilities	73,480	73,480	94,616	(21,136)
<b>Total Building and Grounds</b>	<b>161,002</b>	<b>161,002</b>	<b>174,800</b>	<b>(13,798)</b>
<b>Total General Government</b>	<b>830,524</b>	<b>831,574</b>	<b>818,356</b>	<b>13,218</b>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>PUBLIC SAFETY:</b>				
<b>Police Department:</b>				
Salaries	\$ 727,843	\$ 759,843	\$ 757,814	\$ 2,029
Fringe Benefits	267,835	267,835	276,923	(9,088)
Physical	6,125	6,125	4,948	1,177
Longevity	6,545	6,545	6,294	251
Operating Supplies	9,500	9,500	16,922	(7,422)
Uniforms	6,720	6,720	6,941	(221)
Police Lien	3,700	3,700	1,547	2,153
Travel	6,500	6,500	5,685	815
Equipment Maintenance	21,000	21,000	18,443	2,557
Radio Maintenance	4,000	4,000	6,557	(2,557)
Crossing Guards Salaries	13,000	13,000	12,248	752
Crossing Guards Fringe Benefits	1,360	1,360	1,230	130
Auxiliary Police Supplies	1,600	1,600	1,213	387
Michigan Justice Training Fund	5,000	5,000	2,192	2,808
OHSP Grant	-	13,149	16,054	(2,905)
Youth Alcohol Enforcement Grant	-	-	5,451	(5,451)
Gas, Oil and Grease	28,500	28,500	23,452	5,048
<b>Total Police Department</b>	<b>1,109,228</b>	<b>1,154,377</b>	<b>1,163,914</b>	<b>(9,537)</b>
<b>Fire Department:</b>				
Salaries	588,242	681,242	681,981	(739)
Fringe Benefits	265,967	265,967	275,958	(9,991)
Physical	9,400	9,400	7,181	2,219
Longevity	6,580	6,580	6,689	(110)
Miscellaneous Labor	500	500	-	500
Office Supplies	900	900	379	521
Subscriptions and Dues	1,200	1,200	1,526	(327)
Building Supplies	3,120	3,120	2,908	212
Operating Supplies	11,750	11,750	12,515	(765)
Uniforms	3,500	3,500	3,607	(107)
Equipment Maintenance	15,000	15,000	18,255	(3,255)
Radio Maintenance	2,500	2,500	2,108	392
Gas, Oil and Grease	3,500	3,500	5,047	(1,547)
Travel	4,000	4,000	2,226	1,774
<b>Total Fire Department</b>	<b>916,159</b>	<b>1,009,159</b>	<b>1,020,380</b>	<b>(11,221)</b>
<b>Building Inspector:</b>				
Salaries	73,809	73,809	72,526	1,283
Fringe Benefits	29,523	32,023	33,527	(1,504)
Longevity	525	525	560	(35)
Operating Supplies	1,220	1,220	1,345	(125)
Auto Expense	1,680	1,680	1,680	-
Travel	2,000	2,000	1,796	204
<b>Total Building Inspector</b>	<b>108,757</b>	<b>111,257</b>	<b>111,434</b>	<b>(177)</b>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>PUBLIC SAFETY (CONTINUED):</b>				
<b>Zoning Board of Appeals:</b>				
Supplies	\$ 800	\$ 800	\$ -	\$ 800
Publications	750	750	433	317
<b>Total Zoning Board of Appeals</b>	<b>1,550</b>	<b>1,550</b>	<b>433</b>	<b>1,117</b>
<b>Animal Control-Animal Care:</b>				
Salaries	27,362	27,362	24,748	2,614
Fringe Benefits	17,641	17,641	14,380	3,261
Longevity	630	630	630	-
Animal Care	17,000	17,000	15,180	1,820
<b>Total Animal Control-Animal Care</b>	<b>62,633</b>	<b>62,633</b>	<b>54,938</b>	<b>7,695</b>
<b>Total Public Safety</b>	<b>2,198,327</b>	<b>2,338,976</b>	<b>2,351,099</b>	<b>(12,123)</b>
<b>HIGHWAYS, STREETS AND BRIDGES:</b>				
<b>City Engineer:</b>				
Salaries	25,920	53,920	36,954	16,966
Fringe Benefits	15,089	15,089	39,722	(24,633)
Longevity	442	442	455	(13)
Office Supplies	1,500	1,500	598	902
Dues	540	540	279	261
Operating Supplies	1,100	1,100	6,526	(5,426)
Contracted Services	21,000	26,000	21,240	4,760
Travel	900	900	531	369
Equipment Maintenance	4,418	4,418	3,205	1,213
Auto Expense	400	400	401	(1)
<b>Total City Engineer</b>	<b>71,309</b>	<b>104,309</b>	<b>109,911</b>	<b>(5,602)</b>
<b>Street Lighting:</b>				
Salaries	1,200	1,200	1,370	(170)
Fringe Benefits	811	811	486	325
Outside Labor	2,000	2,000	2,423	(423)
Operating Supplies	2,500	2,500	3,257	(757)
Electric	113,500	113,500	101,494	12,006
Contracted Services	500	500	-	500
<b>Total Street Lighting</b>	<b>120,511</b>	<b>120,511</b>	<b>109,030</b>	<b>11,481</b>
<b>Alleys:</b>				
Salaries	5,500	5,500	5,875	(375)
Fringe Benefits	3,453	3,453	3,318	135
Operating Supplies	800	800	165	635
Equipment Rental	3,500	3,500	2,691	809
<b>Total Alleys</b>	<b>13,253</b>	<b>13,253</b>	<b>12,050</b>	<b>1,203</b>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
<b>HIGHWAY, STREETS AND BRIDGES (CONTINUED):</b>				
<b>Street Department:</b>				
Salaries	\$ -	\$ -	\$ 51,812	\$ (51,812)
Fringe Benefits	-	-	36,535	(36,535)
Longevity	-	-	3,067	(3,067)
Operating Supplies	-	-	16,430	(16,430)
Travel	-	-	2,933	(2,933)
Equipment Maintenance	-	-	51,367	(51,367)
Gas, Oil and Grease	-	-	52,760	(52,760)
Utilities	-	-	20,957	(20,957)
<b>Total Street Department</b>	<u>-</u>	<u>-</u>	<u>235,861</u>	<u>(235,861)</u>
<b>Sidewalks:</b>				
Salaries	1,500	1,500	239	1,261
Fringe Benefits	957	957	82	875
Operating Supplies	1,000	1,000	5,840	(4,840)
Equipment Rental	-	-	98	(98)
<b>Total Sidewalks</b>	<u>3,457</u>	<u>3,457</u>	<u>6,259</u>	<u>(2,802)</u>
<b>Total Highways, Streets and Bridges</b>	<u>208,530</u>	<u>241,530</u>	<u>473,111</u>	<u>(231,581)</u>
<b>SANITATION:</b>				
<b>Waste Collection:</b>				
Salaries	58,486	64,486	64,806	(320)
Fringe Benefits	26,899	31,399	32,843	(1,444)
Longevity	315	315	350	(35)
Gas, Oil and Grease	9,000	13,500	11,824	1,676
Operating Supplies	850	850	1,241	(391)
Equipment Maintenance	16,250	21,250	20,610	640
<b>Total Waste Collection</b>	<u>111,800</u>	<u>131,800</u>	<u>131,674</u>	<u>126</u>
<b>Rubbish Collection:</b>				
Salaries	22,327	24,327	23,132	1,195
Fringe Benefits	10,035	10,035	13,203	(3,168)
Contracted Services	26,000	31,000	29,623	1,377
<b>Total Rubbish Collection</b>	<u>58,362</u>	<u>65,362</u>	<u>65,958</u>	<u>(596)</u>
<b>Landfill:</b>				
Utilities	6,900	6,900	6,915	(15)
Equipment Maintenance	2,800	2,800	-	2,800
Contracted Services	24,700	24,700	21,121	3,579
Landfill Fees	139,900	139,900	132,158	7,742
Spring Clean-Up	15,500	37,000	45,001	(8,001)
<b>Total Landfill</b>	<u>189,800</u>	<u>211,300</u>	<u>205,195</u>	<u>6,105</u>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>SANITATION (CONTINUED):</b>				
<b>Recycling:</b>				
Salaries	\$ 2,200	\$ 2,200	\$ 2,283	\$ (83)
Fringe Benefits	1,277	1,277	1,163	114
Outside Labor	20,000	26,500	26,506	(6)
Utilities	350	350	222	128
Operating Supplies	300	300	555	(255)
Equipment Rental	900	900	996	(96)
<b>Total Recycling</b>	<b>25,027</b>	<b>31,527</b>	<b>31,725</b>	<b>(198)</b>
<b>Total Sanitation</b>	<b>384,989</b>	<b>439,989</b>	<b>434,552</b>	<b>5,437</b>
<b>CULTURE AND RECREATION:</b>				
<b>Parks Department:</b>				
Salaries	72,838	72,838	47,792	25,046
Fringe Benefits	28,609	28,609	20,848	7,761
Longevity	409	409	299	110
Operating Supplies	8,000	8,000	10,353	(2,353)
Building Supplies	500	500	189	311
Equipment Maintenance	5,000	5,000	3,342	1,658
Equipment Rental	2,800	2,800	2,007	793
Gas, Oil and Grease	3,000	3,000	3,481	(481)
Utilities	19,000	19,000	17,936	1,064
Other	1,400	1,400	1,396	4
<b>Total Parks Department</b>	<b>141,556</b>	<b>141,556</b>	<b>107,644</b>	<b>33,912</b>
<b>Marina:</b>				
Operating Supplies	-	1,300	1,270	30
<b>Henes Park:</b>				
Salaries	60,104	60,104	46,546	13,558
Fringe Benefits	23,568	23,568	25,204	(1,636)
Longevity	665	665	630	35
Feed	1,400	1,400	1,142	257
Operating Supplies	7,000	7,000	9,631	(2,631)
Equipment Maintenance	4,000	4,000	2,153	1,847
Utilities	7,500	7,500	5,856	1,644
Gas, Oil and Grease	3,000	3,000	2,212	788
Special Projects	-	-	10,858	(10,858)
<b>Total Henes Park</b>	<b>107,237</b>	<b>107,237</b>	<b>104,232</b>	<b>3,005</b>
<b>Spies Field:</b>				
Salaries	37,801	37,801	16,637	21,164
Fringe Benefits	13,924	13,924	3,869	10,055
Longevity	555	555	-	555
Operating Supplies	7,000	7,000	13,701	(6,701)
Equipment Maintenance	2,000	2,000	1,760	240
Equipment Rental	2,000	2,000	-	2,000
Utilities	10,000	10,000	20,788	(10,788)
Gas, Oil and Grease	1,000	1,000	-	1,000
Other	2,000	2,000	339	1,661
Special Projects	3,000	3,000	-	3,000
<b>Total Spies Field</b>	<b>79,280</b>	<b>79,280</b>	<b>57,094</b>	<b>22,186</b>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>CULTURE AND RECREATION (CONTINUED):</b>				
<b>City Recreation:</b>				
Salaries	\$ 73,028	\$ 73,028	\$ 58,996	\$ 14,032
Fringe Benefits	14,298	14,298	13,408	890
Longevity	286	286	343	(57)
Miscellaneous Labor	1,424	1,424	1,592	(168)
Operating Supplies	9,400	9,400	7,544	1,856
Gasoline and Grease	875	875	1,898	(1,023)
Utilities	3,500	3,500	2,272	1,228
Travel	400	400	-	400
Equipment Maintenance	900	900	934	(34)
Equipment Rental	250	250	-	250
Other	4,250	4,250	1,368	2,882
<b>Total City Recreation</b>	<b>108,611</b>	<b>108,611</b>	<b>88,355</b>	<b>20,256</b>
<b>Total Culture and Recreation</b>	<b>436,684</b>	<b>437,984</b>	<b>358,595</b>	<b>79,389</b>
<b>OTHER FUNCTIONS:</b>				
<b>Community Development:</b>				
Miscellaneous Labor	500	500	300	200
Office Supplies	400	400	-	400
Postage	1,000	1,000	-	1,000
Publications	200	200	-	200
Demolition	6,000	6,000	-	6,000
<b>Total Community Development</b>	<b>8,100</b>	<b>8,100</b>	<b>300</b>	<b>7,800</b>
<b>Economic Development:</b>				
Christmas Decorations	2,000	2,000	1,692	308
Travel	500	500	-	500
Dues	6,900	6,900	6,769	131
Contracted Services	10,000	10,000	3,876	6,124
Legal	500	500	1,618	(1,119)
Miscellaneous	1,000	1,000	1,904	(904)
<b>Total Economic Development</b>	<b>20,900</b>	<b>20,900</b>	<b>15,859</b>	<b>5,041</b>
<b>Fixed Expenses:</b>				
Business Insurance and Bonds	54,000	54,000	52,560	1,440
Unemployment Compensation	2,500	20,700	16,141	4,559
Investment Fees	150	150	150	-
County Charge-Back	250	2,250	2,088	162
Employee Assistance Program	2,200	2,200	2,117	83
Other	500	36,675	38,776	(2,101)
<b>Total Fixed Expenses</b>	<b>59,600</b>	<b>115,975</b>	<b>111,832</b>	<b>4,143</b>
<b>Total Other Functions</b>	<b>88,600</b>	<b>144,975</b>	<b>127,991</b>	<b>16,984</b>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>CAPITAL OUTLAY:</b>				
General Government	\$ 56,000	\$ 56,000	\$ -	\$ 56,000
Police Department	51,325	51,325	22,731	28,594
Engineer	6,000	6,000	-	6,000
Street Department	20,000	20,000	6,842	13,158
Fire Department	10,000	10,000	-	10,000
Sidewalks	30,000	30,000	-	30,000
28th Avenue Project	25,000	200,282	203,229	(2,947)
Culture and Recreation	40,000	40,000	-	40,000
<b>Total Capital Outlay</b>	<u>238,325</u>	<u>413,607</u>	<u>232,802</u>	<u>180,805</u>
<b>DEBT SERVICE:</b>				
Principal	261,412	261,412	261,412	-
Interest	35,183	35,183	35,166	17
<b>Total Debt Service</b>	<u>296,595</u>	<u>296,595</u>	<u>296,578</u>	<u>17</u>
<b>OTHER FINANCING USES -</b>				
Operating Transfers Out	<u>287,585</u>	<u>318,822</u>	<u>319,021</u>	<u>(199)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 4,970,159</u>	<u>\$ 5,464,052</u>	<u>\$ 5,412,105</u>	<u>\$ 51,946</u>

**CITY OF MENOMINEE, MICHIGAN**

Combining Balance Sheet  
Nonmajor Governmental Funds  
As of June 30, 2008

	<u>Permanent</u>	<u>Special Revenue Funds</u>			
	<u>Cemetery</u>				
	<u>Perpetual</u>	<u>Cemetery</u>	<u>Waterfront</u>	<u>Brownfield</u>	<u>Public</u>
	<u>Care</u>	<u>Operations</u>	<u>Festival</u>	<u>TID</u>	<u>Improvement</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ -	\$ 81,077	\$ 46,927	\$ 43,002	\$ 129,695
Investments	1,191,016	12,025	-	-	-
Receivables-Net	-	-	-	-	-
Due From Other Funds	825	49,839	-	-	-
Receivable From Other Governments	-	-	-	-	-
Inventories and Prepaid Items	-	-	1,100	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,191,841</u>	<u>\$ 142,941</u>	<u>\$ 48,027</u>	<u>\$ 43,002</u>	<u>\$ 129,695</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ -	\$ 380	\$ -	\$ -	\$ -
Accrued Payroll	-	4,855	-	-	-
Due to Other Funds	49,839	37,204	-	27,132	-
Payable to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	17,435	-	-
<b>TOTAL LIABILITIES</b>	<u>49,839</u>	<u>42,439</u>	<u>17,435</u>	<u>27,132</u>	<u>-</u>
<b>FUND BALANCES:</b>					
Reserved	1,142,002	100,502	-	15,870	-
Unreserved:					
Undesignated	-	-	30,592	-	129,695
<b>TOTAL FUND BALANCES</b>	<u>1,142,002</u>	<u>100,502</u>	<u>30,592</u>	<u>15,870</u>	<u>129,695</u>
<b>TOTAL LIABILITIES</b>					
<b>AND FUND BALANCES</b>	<u>\$ 1,191,841</u>	<u>\$ 142,941</u>	<u>\$ 48,027</u>	<u>\$ 43,002</u>	<u>\$ 129,695</u>

Special Revenue Funds						
Downtown Development Authority	Drug Law Enforcement	Spies Public Library	Menominee Iron Works	Neighborhood Preservation Project	Economic Development GLP&F	Community Development MSHDA
\$ 32,896	\$ 10,526	\$ 579	\$ 507,344	\$ -	\$ -	\$ 32,346
137,407	-	84,446	-	-	-	-
-	-	-	519,686	70,058	1,000	86,339
-	-	-	-	-	-	-
-	-	58,834	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 170,303</u>	<u>\$ 10,526</u>	<u>\$ 143,859</u>	<u>\$ 1,027,030</u>	<u>\$ 70,058</u>	<u>\$ 1,000</u>	<u>\$ 118,685</u>
\$ 2,427	\$ -	\$ 3,062	\$ -	\$ -	\$ -	\$ 419
-	-	4,575	-	-	-	-
71	-	31,931	-	-	500	5,928
-	-	-	-	70,058	-	830
-	-	1,000	-	-	-	86,339
<u>2,498</u>	<u>-</u>	<u>40,568</u>	<u>-</u>	<u>70,058</u>	<u>500</u>	<u>93,516</u>
-	-	-	-	-	-	25,169
167,805	10,526	103,291	1,027,030	-	500	-
<u>167,805</u>	<u>10,526</u>	<u>103,291</u>	<u>1,027,030</u>	<u>-</u>	<u>500</u>	<u>25,169</u>
<u>\$ 170,303</u>	<u>\$ 10,526</u>	<u>\$ 143,859</u>	<u>\$ 1,027,030</u>	<u>\$ 70,058</u>	<u>\$ 1,000</u>	<u>\$ 118,685</u>

**CITY OF MENOMINEE, MICHIGAN**  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
As of June 30, 2008

	<b>Capital Projects Funds</b>		<b>Debt Service Funds</b>		
	<b>Spies Field Improvement Project</b>	<b>Street Construction</b>	<b>Street Construction Debt</b>	<b>Spies Public Library Debt</b>	<b>Total</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 12,638	\$ 522,691	\$ -	\$ -	\$ 1,419,721
Investments	-	673,599	41,763	144,794	2,285,050
Receivables-Net	185,488	-	-	-	862,571
Due From Other Funds	-	-	499	-	51,163
Receivable From Other Governments	-	-	-	-	58,834
Inventories and Prepaid Items	-	-	-	-	1,100
<b>TOTAL ASSETS</b>	<u>\$ 198,126</u>	<u>\$ 1,196,290</u>	<u>\$ 42,262</u>	<u>\$ 144,794</u>	<u>\$ 4,678,439</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 6,288
Accrued Payroll	-	-	-	-	9,431
Due to Other Funds	24,419	-	1,611	-	178,635
Payable to Other Governments	-	-	-	-	70,888
Deferred Revenue	-	-	-	-	104,774
<b>TOTAL LIABILITIES</b>	<u>24,419</u>	<u>-</u>	<u>1,611</u>	<u>-</u>	<u>370,016</u>
<b>FUND BALANCES:</b>					
Reserved	173,707	1,196,290	40,651	144,794	2,838,985
Unreserved:					
Undesignated	-	-	-	-	1,469,438
<b>TOTAL FUND BALANCES</b>	<u>173,707</u>	<u>1,196,290</u>	<u>40,651</u>	<u>144,794</u>	<u>4,308,423</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 198,126</u>	<u>\$ 1,196,290</u>	<u>\$ 42,262</u>	<u>\$ 144,794</u>	<u>\$ 4,678,439</u>

**CITY OF MENOMINEE, MICHIGAN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	Permanent Cemetery Perpetual Care	Special Revenue					
	Cemetery Operations	Waterfront Festival	Brownfield TID	Public Improvement	Downtown Development Authority	Drug Law Enforcement	
REVENUES:							
Property Taxes	\$ -	\$ -	\$ -	\$ 26,418	\$ -	\$ 7,300	\$ -
State Grants	-	-	-	-	-	-	-
State Shared Revenue	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-
Interest and Rentals	56,340	34	1,847	465	4,503	4,719	10
Charges for Services	3,465	92,217	-	-	-	-	-
Other	48,081	405	134,583	-	-	5,710	5,707
Total Revenues	107,886	92,656	136,430	26,883	4,503	17,729	5,717
EXPENDITURES:							
Public Safety	-	-	-	-	-	-	1,000
Culture and Recreation	-	-	132,360	-	-	-	-
Other	7,114	195,381	-	-	150	9,699	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service:							
Principal Retirement	-	-	-	20,000	-	-	-
Interest and Fiscal Charges	-	-	-	13,274	-	-	-
Total Expenditures	7,114	195,381	132,360	33,274	150	9,699	1,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100,772	(102,725)	4,070	(6,391)	4,353	8,031	4,717
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	168,915	-	-	-	-	-
Operating Transfers Out	(50,961)	-	-	-	-	-	-
Total Other Financial Sources (Uses)	(50,961)	168,915	-	-	-	-	-
NET CHANGE IN FUND BALANCES	49,811	66,190	4,070	(6,391)	4,353	8,031	4,717
FUND BALANCES - BEGINNING	1,092,191	34,312	26,522	22,261	125,342	159,774	5,809
FUND BALANCES - ENDING	\$ 1,142,002	\$ 100,502	\$ 30,592	\$ 15,870	\$ 129,695	\$ 167,805	\$ 10,526

		Special Revenue			Capital Projects Funds		Debt Service		Totals
Spies Public Library	Menominee Iron Works	Neighborhood Preservation Project	Economic Development GL P&F	Community Development MSHDA	Spies Field Improvement Project	Street Construction	Street Construction Debt	Spies Public Library Debt	
\$ 166,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 501,273	\$ 97,000	\$ 798,929
-	-	-	-	64,658	-	-	-	-	64,658
10,792	-	-	-	-	-	-	-	-	10,792
-	-	-	-	-	59,035	-	-	-	59,035
58,910	-	-	-	-	-	-	-	-	58,910
-	43,820	-	-	-	4,961	30,934	2,300	4,112	154,045
7,240	-	-	-	-	-	-	-	-	102,922
10,796	-	-	-	53,432	-	-	-	-	258,714
254,676	43,820	-	-	118,090	63,996	30,934	503,573	101,112	1,508,005
-	-	-	-	-	-	-	-	-	1,000
426,361	-	-	-	-	-	-	-	-	558,721
-	-	-	-	100,820	8,076	1,650	-	-	322,890
-	-	-	-	-	25,962	-	-	-	25,962
-	-	-	-	-	-	-	395,000	65,000	480,000
-	-	-	-	-	-	-	107,579	30,415	151,268
426,361	-	-	-	100,820	34,038	1,650	502,579	95,415	1,539,841
(171,684)	43,820	-	-	17,270	29,958	29,284	994	5,696	(31,836)
169,831	-	-	-	-	-	-	-	-	338,746
-	-	-	-	-	-	-	-	-	(50,961)
169,831	-	-	-	-	-	-	-	-	287,785
(1,853)	43,820	-	-	17,270	29,958	29,284	994	5,696	255,949
105,144	983,210	-	500	7,899	143,749	1,167,006	39,657	139,098	4,052,474
\$ 103,291	\$ 1,027,030	\$ -	\$ 500	\$ 25,169	\$ 173,707	\$ 1,196,290	\$ 40,651	\$ 144,794	\$ 4,308,423

**CITY OF MENOMINEE, MICHIGAN**

Combining Statement of Net Assets

Employee Trust Fund

As of June 30, 2008

	<b>Police and Fire Retirement</b>	<b>Employee Flexible Benefits</b>	<b>Totals</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 15,601	\$ 10,483	\$ 26,084
Investments at Fair Value:			
Corporate Stocks	3,260,137	-	3,260,137
Other Investments	5,765,544	-	5,765,544
Total Investments	9,025,681	-	9,025,681
<b>TOTAL ASSETS</b>	<b>\$ 9,041,282</b>	<b>\$ 10,483</b>	<b>\$ 9,051,765</b>
<b>LIABILITIES:</b>			
Due to Other Funds	\$ 1,244	\$ 7,590	\$ 8,834
Due to Other Governments	355	-	355
<b>Total Liabilities</b>	<b>1,599</b>	<b>7,590</b>	<b>9,189</b>
<b>NET ASSETS:</b>			
Held in Trust for Employees' Retirement System	9,039,683	-	9,039,683
Reserved for Employees' Benefits	-	2,893	2,893
<b>Total Net Assets</b>	<b>9,039,683</b>	<b>2,893</b>	<b>9,042,576</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,041,282</b>	<b>\$ 10,483</b>	<b>\$ 9,051,765</b>

**CITY OF MENOMINEE, MICHIGAN**  
Combining Statement of Changes in Net Assets  
Employee Trust Fund  
For the Year Ended June 30, 2008

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
<b>ADDITIONS:</b>			
Contributions:			
Employees	\$ 95,837	\$ 14,575	\$ 110,412
Employer	189,490	-	189,490
Interest and Dividends	279,127	-	279,127
Net Depreciation in Fair Value of Investments	(1,135,279)		(1,135,279)
Other	-	9,385	9,385
<b>Total Additions</b>	<u>(570,825)</u>	<u>23,960</u>	<u>(546,865)</u>
<b>DEDUCTIONS:</b>			
Annuities	603,043	-	603,043
Benefits	33,561	21,884	55,445
<b>Total Deductions</b>	<u>636,604</u>	<u>21,884</u>	<u>658,488</u>
<b>CHANGE IN NET ASSETS</b>	(1,207,429)	2,076	(1,205,353)
<b>NET ASSETS - BEGINNING</b>	<u>10,247,112</u>	<u>817</u>	<u>10,247,929</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 9,039,683</u></u>	<u><u>\$ 2,893</u></u>	<u><u>\$ 9,042,576</u></u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Bonded Indebtedness  
June 30, 2008

<b>Debt Description</b>	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>
1992 Water Supply and Sewage Disposal System Revenue Bonds	9/24/92	\$ 1,520,000	2.00%

<b>Date</b>	<b>Principal</b>	<b>Interest</b>
04/01/09	\$ 85,000	\$ 8,800
04/01/10	85,000	7,100
04/01/11	90,000	5,400
04/01/12	90,000	3,600
04/01/13	90,000	1,800
	<u>\$ 440,000</u>	<u>\$ 26,700</u>

<b>Debt Description</b>	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>
Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 1998A	9/23/98	\$ 1,665,000	4.5%

<b>Date</b>	<b>Principal</b>	<b>Interest</b>
04/01/09	\$ 24,000	\$ 66,195
04/01/10	25,000	65,115
04/01/11	26,000	63,990
04/01/12	28,000	62,820
04/01/13	29,000	61,560
04/01/14	30,000	60,255
04/01/15	31,000	58,905
04/01/16	33,000	57,510
04/01/17	34,000	56,025
04/01/18	36,000	54,495
04/01/19	37,000	52,875
04/01/20	39,000	51,210
04/01/21	41,000	49,455
04/01/22	43,000	47,610
04/01/23	45,000	45,675
04/01/24	47,000	43,650
04/01/25	49,000	41,535
04/01/26	51,000	39,330
04/01/27	53,000	37,035
04/01/28	56,000	34,650
04/01/29	58,000	32,110
04/01/30	61,000	29,520
04/01/31	63,000	26,775
04/01/32	67,000	23,940
04/01/33	69,000	20,925
04/01/34	73,000	17,820
04/01/35	76,000	14,535
04/01/36	80,000	11,115
04/01/37	83,000	7,515
04/01/38	84,000	3,780
	<u>\$ 1,471,000</u>	<u>\$ 1,237,930</u>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Bonded Indebtedness (Continued)  
June 30, 2008

<b>Debt Description</b>		<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>
Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 1998B		9/23/98	\$ 300,000	4.5%
<b>Date</b>	<b>Principal</b>	<b>Interest</b>		
04/01/09	\$ 4,000	\$	12,600	
04/01/10	4,000		12,420	
04/01/11	4,000		12,240	
04/01/12	5,000		12,060	
04/01/13	5,000		11,835	
04/01/14	5,000		11,610	
04/01/15	6,000		11,385	
04/01/16	6,000		11,115	
04/01/17	6,000		10,845	
04/01/18	7,000		10,575	
04/01/19	7,000		10,260	
04/01/20	7,000		9,945	
04/01/21	8,000		9,630	
04/01/22	8,000		9,270	
04/01/23	8,000		8,910	
04/01/24	9,000		8,550	
04/01/25	9,000		8,145	
04/01/26	9,000		7,740	
04/01/27	10,000		7,335	
04/01/28	10,000		6,885	
04/01/29	10,000		6,435	
04/01/30	11,000		5,845	
04/01/31	12,000		5,490	
04/01/32	13,000		4,950	
04/01/33	14,000		4,365	
04/01/34	15,000		3,735	
04/01/35	16,000		3,060	
04/01/36	17,000		2,340	
04/01/37	17,000		1,575	
04/01/38	18,000		810	
	<u>\$ 280,000</u>	<u>\$</u>	<u>241,960</u>	

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Bonded Indebtedness (Continued)  
June 30, 2008

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>
1999 Building Authority Bonds (Limited Tax General Obligation) (Marina Fund)	5/1/99	\$ 1,250,000

<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>
4.4%	10/01/08	\$ 60,000	\$ 38,100
4.45%	10/01/09	65,000	35,334
4.55%	10/01/10	70,000	32,295
4.65%	10/01/11	70,000	29,075
4.7%	10/01/12	100,000	25,098
4.8%	10/01/13	105,000	20,228
4.85%	10/01/14	115,000	14,919
4.9%	10/01/15	120,000	9,190
5.0%	10/01/16	125,000	3,125
		<u>\$ 830,000</u>	<u>\$ 207,364</u>

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>
Unlimited Tax General Obligation Bond, Series 2001		

<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>
4.125%	8/01/08	\$ 415,000	\$ 90,469
4.250%	8/01/09	440,000	72,560
4.30%	8/01/10	465,000	52,213
4.30%	8/01/11	490,000	32,680
4.30%	8/01/12	515,000	11,073
		<u>\$ 2,325,000</u>	<u>\$ 258,995</u>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Bonded Indebtedness (Continued)  
June 30, 2008

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>
Unlimited Tax General Obligation Bonds, Series 2003 (Refunding of Callable 1995 Library Bonds)	9/4/03	\$ 965,000

<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>
2.7%	10/01/08	\$ 70,000	\$ 28,143
3.5%	10/01/09	65,000	26,060
3.5%	10/01/10	70,000	23,698
4.05%	10/01/11	75,000	20,954
4.05%	10/01/12	75,000	17,916
4.3%	10/01/13	85,000	14,570
4.3%	10/01/14	90,000	10,808
4.55%	10/01/15	95,000	6,711
4.55%	10/01/16	100,000	2,275
		<u>\$ 725,000</u>	<u>\$ 151,135</u>

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
2007 Brownfield Redemption Authority Tax Investment Bonds (Limited Tax General Obligation)	6/5/07	\$ 225,000	6.34%

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
06/15/09	\$ 20,000	\$ 12,997
06/15/10	20,000	11,729
06/15/11	20,000	10,461
06/15/12	20,000	9,193
06/15/13	20,000	7,925
06/15/14	20,000	6,657
06/15/15	20,000	5,389
06/15/16	20,000	4,121
06/15/17	20,000	2,853
06/15/18	25,000	1,585
	<u>\$ 205,000</u>	<u>\$ 72,910</u>

**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Bonded Indebtedness (Continued)  
June 30, 2008

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>
2007 Capital Improvement Bonds (Limited Tax General Obligation)	7/1/07	\$ 2,015,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
06/15/08	\$ -	\$ 78,949
06/15/09	65,000	93,244
06/15/10	65,000	90,246
06/15/11	75,000	87,008
06/15/12	75,000	83,539
06/15/13	80,000	79,945
06/15/14	85,000	76,109
06/15/15	85,000	72,156
06/15/16	90,000	68,065
06/15/17	90,000	63,835
06/15/18	100,000	59,370
06/15/19	105,000	54,553
06/15/20	105,000	49,618
06/15/21	110,000	44,565
06/15/22	115,000	39,278
06/15/23	120,000	33,725
06/15/24	125,000	27,906
06/15/25	120,000	22,088
06/15/26	130,000	16,150
06/15/27	135,000	9,856
06/15/28	140,000	3,325
	<u>\$ 2,015,000</u>	<u>\$ 1,153,528</u>

## **ADDITIONAL INDEPENDENT ACCOUNTANTS' REPORT**



# KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson St., P.O. Box 75 • Marinette, WI 54143  
(715) 735-9321 • Fax (715) 735-5899

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the Common Council  
City of Menominee  
Menominee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menominee (City), Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Menominee, Michigan's basic financial statements and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings as findings #08-1 to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Honorable Mayor and Members of the Common Council  
City of Menominee


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Menominee in a separate letter dated November 26, 2008.

This report is intended solely for the information and use of the Common Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Kerber, Rose & Associates, S.C.".

### **KERBER, ROSE & ASSOCIATES, S.C.**

Certified Public Accountants  
November 26, 2008



# CITY OF MENOMINEE, MICHIGAN

Schedule of Findings  
For the Year Ended June 30, 2008

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## SUMMARY OF AUDITORS' RESULTS

### Financial Statements

1. Type of audit report issued on general-purpose financial statements?	Unqualified Opinion
2. Was a significant deficiency disclosed?	Yes
3. Was a material weakness disclosed?	No
3. Was a material noncompliance disclosed?	No

## FINANCIAL STATEMENTS FINDINGS

### Significant Deficiency

**#08-1** - One of the components of internal control over financial reporting is that management of the City be sufficiently knowledgeable to record the City's financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the City's financial statements in accordance with those accounting principles, including the footnotes to the financial statements. It has historically been common for the City to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. The City's accountant is capable of preparing the financial statements; however, needs assistance with the footnote disclosure. Management feels it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having employees and/or management obtain the necessary training and expertise required to prepare the financial statement footnotes. Management does review the financial statements and footnotes and accepts responsibility for them.



# KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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To the Honorable Mayor and Common Council  
City of Menominee  
Menominee, Michigan

We have audited the financial statements of City of Menominee (City) for the year ended June 30, 2008, and have issued our report dated November 26, 2008. In connection with our audit we are issuing this letter to inform the Board of certain matters which we are required by professional standards. This letter is divided into three components – required communications under professional auditing standards, prior year observations and current year observations.

## REQUIRED COMMUNICATIONS

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and Governmental Auditing Standards**

As stated in our engagement letter dated September 27, 2006, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by us with management and your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of City of Menominee. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Menominee's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our various conversations about planning matters.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Menominee are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2007-2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement was:

The disclosure of deposits and investments and the related risks associated with them in Note 2 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the City's cash and investments.

### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). During the course of the audit we did not make any adjustments to the City's general ledger.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 26, 2008.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2008, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiency to be a significant deficiency in internal control.

### **Internal Control Over Financial Reporting**

One of the components of internal control over financial reporting is that staff of the City be sufficiently knowledgeable to record the City's financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the City's financial statements, including the footnotes, in accordance with those principles. The staff is capable of recording transactions and government-wide and fund financial statements, but need assistance in preparing the related notes in accordance with GAAP. The City's management does review the financial statements and footnotes and accepts responsibility for them. This matter is common in most small organizations since they do not have the resources to devote to this area of internal control. Management feels it is more cost effective to outsource this function to the independent auditors.

A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the financial accounting and reporting deficiency described above is not a material weakness.

## **PRIOR YEAR OBSERVATIONS**

### **Deposit Stamps (per 6/30/06 letter)**

Bank stamps should be provided to each department accepting checks as a form of payment, so that all checks may be restrictively endorsed immediately upon receipt.

#### **Status (6/30/08)**

This remains an issue the City needs to address.

### **Password for Signature File (per 6/30/06 letter)**

A password should exist to prevent access to the signature file used to sign disbursement and payroll checks. This password should be known only to authorized signers on the accounts. Proof reports should be provided to the "signer" for review just before checks are printed. The signer should then sign off on the proof and enter the password to produce the checks.

#### **Status (6/30/08)**

This remains an issue the City needs to address.

### **Payroll Tax Reconciliations (per 6/30/06 letter)**

Schedules should be developed to assist the payroll clerk in reconciling payroll detail to weekly tax deposits and quarterly payroll tax returns. Additional schedules should be developed to assist in tracking compensated absence amounts used and available. In general, more efficient procedures should be developed for producing payroll and the related payments to taxing agencies and other third parties.

#### **Status (6/30/08)**

This issue has been addressed.

### **Time Cards (per 6/30/06 letter)**

Time cards should be prepared and signed by employees. Any changes made to reclassify time from one project to another should be initialed by the employee. This will prevent override of budgetary controls by department managers. We noticed that in the Department of Public Works the department head is not submitting the original employee time sheets. The employee time sheet should be submitted with approved changes by the department head.

#### **Status (6/30/08)**

This issue has been addressed.

**Marina Rentals Slips (per 6/30/06 letter)**

A control sheet should be developed and maintained showing each available slip and the related rental rate. Marina management should provide the City with a report of the billing and a monthly report of outstanding receivables. The City should reconcile the control sheet to the billing to ensure each slip has been properly billed, and should record receivables in the City's financial records.

**Status (6/30/08)**

This remains an issue the City needs to address.

**Purchasing and Procurement (per 6/30/06 letter)**

The City has a policy which requires purchase orders for expenditures over \$1,000. Most department managers are not complying with this policy. Strict enforcement of purchasing policies is needed to prevent expenditures in excess of appropriations.

**Status (6/30/08)**

This remains an issue the City needs to address

**Concentration of Cash (per 6/30/06 letter)**

The City should consider the amounts of uninsured cash and the associated risk. The City should consider obtaining additional collateral or place deposits in various banks for greater protection of assets. The City should consider obtaining collateral at all other banks.

**Status (6/30/08)**

This remains an issue the City needs to address.

**Building Inspection Department (per 6/30/07 letter)**

The building inspection department conducts various inspections for house sales and rental housing inspections. The fee for these inspections should be paid prior to or at the time of the inspection. Billing after the inspection has proven unsatisfactory. Inspection permits should be paid for prior to the inspection. The permit can then be presented to the building inspector as proof of payment prior to the inspection being completed and permit issued.

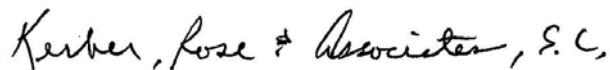
**Status (6/30/08)**

This remains an issue the City needs to address.

**Closing**

We thank you for allowing us to be of service to the City of Menominee. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

This information is intended solely for the use by the Common Council, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Kerber, Rose & Associates, S.C.".

**KERBER, ROSE & ASSOCIATES, S.C.**

Certified Public Accountants  
November 26, 2008